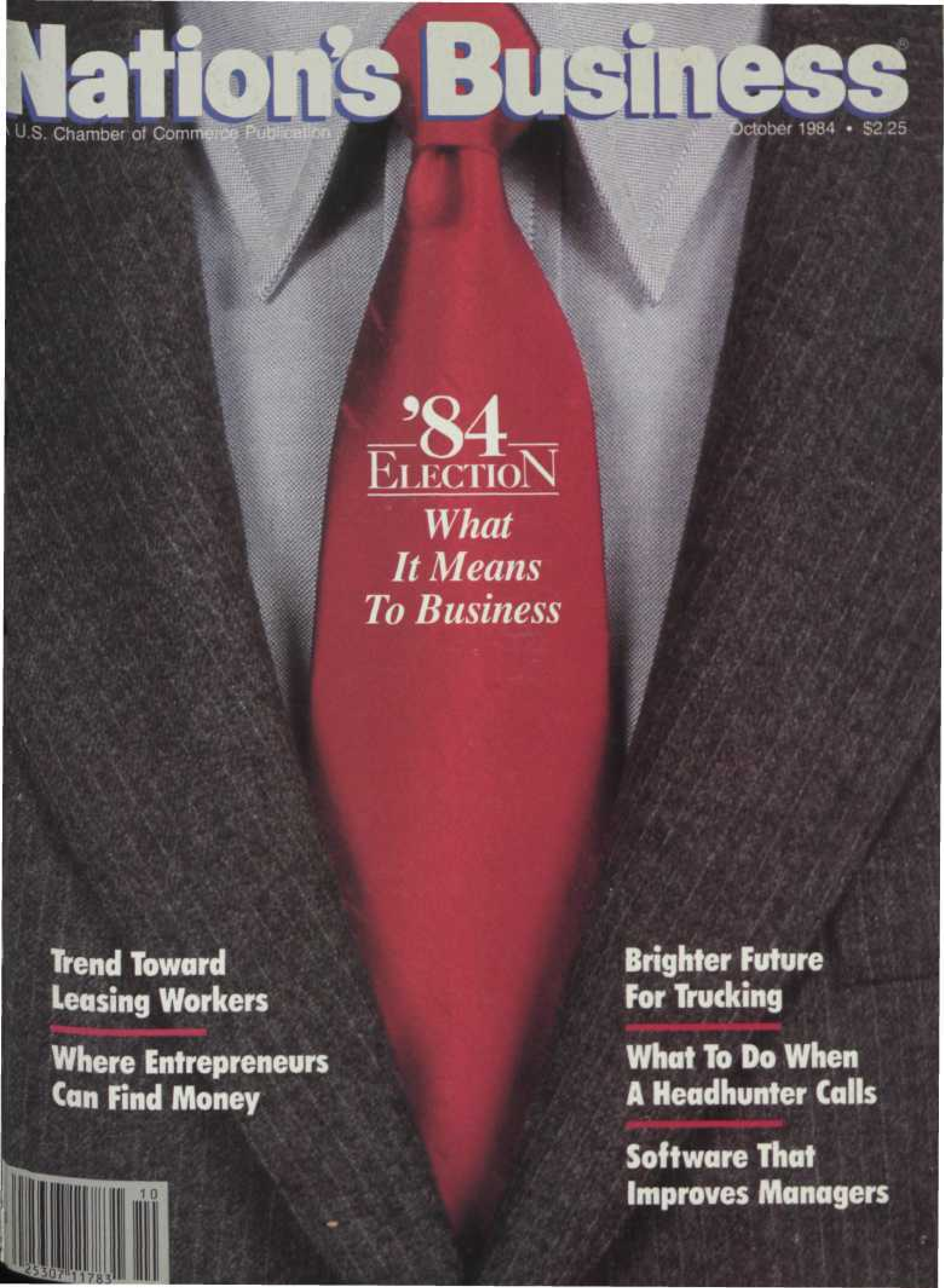
A U.S. Chamber of Commerce Publication

Nation's Business

October 1984 • $2.25



'84 Election
What It Means To Business

Trend Toward Leasing Workers

Where Entrepreneurs Can Find Money

Brighter Future For Trucking

What To Do When A Headhunter Calls

Software That Improves Managers


AHH. IT'S LONELY AT THE TOP.

Nation's Business®

Business has a lot at stake in the presidential election. 20

A tight race for veteran Sen. Charles Percy. 30

For Lewis Jones (right) and Rep. Ed Jenkins, the trade deficit is real. 53

James Borgelt is the general manager of the country's largest employe leasing company. 57

The trucking industry, with the recession behind it, moves to modernize with new technology and emphasis on service. 67

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062. Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Subscription prices (United States and possessions): one year, $22; two years, $35; three years, $46; and in combination with the newspaper *The Business Advocate*, one year, $50; two years, $85; three years, $99. Printed in U.S.A. Second class postage paid at Washington, D.C., and additional mailing offices. *Postmaster:* Please send form 3579 to 4940 Nicholson Court, Kensington, Md. 20895.

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ADDRESSING TOMORROW TODAY.

BY JAMES J. KILPATRICK

A Porous Wall of Separation

WE HEARD A lot about religion and politics when Al Smith ran for President in 1928 and lost. We heard even more when Jack Kennedy ran in 1960 and won. This year, regrettably, religious controversies have erupted anew, and because Ronald Reagan went to a prayer breakfast and Congress approved the Equal Access Amendment, a flock of Chicken Littles are squawking that "the wall" has come tumbling down.

This wall, of course, is the supposed wall of separation between church and state. The wall rests upon a familiar foundation in the First Amendment: "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof." There is also the provision in Article VI of the Constitution that "no religious test shall ever be required as a qualification to any office or public trust under the United States." Out of these provisions, and from such contemporaneous manifestations as the Virginia Statute of Religious Freedom, a foolish notion has emerged that government today must be not merely neutral but actively hostile to any involvement whatever with religious expression.

Ours is officially and formally a nation "under God."

That notion, to put the matter gently, is malarkey. Let us stroll down history's lane. In the Declaration of Independence, we find that men are endowed "by their Creator" with certain rights; to the preservation of those rights the signers appealed "to the Supreme Judge of the World" and placed their reliance "on the Protection of Divine Providence." A dozen years later came the Constitution, which was agreed to "in the Year of Our Lord 1787." In the very first week of the First Congress in 1789, Congress approved the proposed First Amendment with its "establishment" and "free exercise" clauses, and in that same week enacted a law providing for chaplains in the House and Senate.

Do we have a tradition of absolute separation of church and state? Look at your dollar bill. It boldly proclaims the national motto: "In God We Trust." Listen to the pledge of allegiance. Ours is officially and formally a nation "under God." From the beginning of the republic we have had paid holidays for public employes at Thanksgiving and Christmas, and these are inescapably religious holidays. Every President has taken his oath of office with his hand on the Bible and a prayer on his lips: "So help me God." The late Justice William O. Douglas long ago summed up the situation in a single sentence: "We are a religious people whose institutions presuppose a Supreme Being."

In the presidential campaign of 1980 a new element, known as the "Moral Majority," figured in our politics. Those of us in the pundit business still are uncertain of the MM's clout. We can analyze the black vote, because we have census and housing figures to go on. We can measure the Jewish vote because of a solid base of data. Similarly we can get a line on the farm vote, the labor vote and the Catholic vote, and by exit polls we gain insights into the women's vote. We lack empirical data on the so-called "fundamentalist" or "evangelical" bloc, but it evidently is becoming a force to reckon with.

And my question is: What's wrong with that? I can't recall that the people who are jumping up and down about the Moral Majority ever had a peep to peep about the involvement in politics of the National Council of Churches. Historically the Catholics have been involved in our politics. So have the Jews. The long, dark night of Prohibition was largely the work of Methodists and Baptists. Every religious denomination, so far as I know, has lobbied for laws exempting churches and synagogues from taxation. If Jerry Falwell's folks hustle around and get some of their ideas written into the Republican platform, O.K. by me. They have a right to hustle. It's a free country.

These same observations apply to the Equal Access Amendment approved in July. The premise is admirably simple. Our public high schools, in their policy toward extracurricular student groups, should be "content neutral." If Group A wants to discuss the teachings of Karl Marx, O.K. But it should be equally O.K. for Group B to discuss the teachings of Moses, Muhammad or Jesus Christ. If First Amendment rights mean anything, they must mean at least this much. Students do not leave their rights to free speech, peaceable assembly and the free exercise of religion out in the high school's parking lot. Let the winds of doctrine blow! Milton had the right idea.

I VIEW THE WHOLE business with equanimity. I remember nothing of the 1928 campaign, but I remember vividly some of the vicious and paranoid stuff that stained the 1960 campaign. If Kennedy won, we were told, the Pope would take over. Well, Kennedy won and the Pope didn't take over; and if Reagan wins, Jerry Falwell won't take over, either. The "wall," such as it is, remains symbolically in place. We are still a basically religious people, and I will tell you this: The day that religion plays no part in our politics is a day that will never come.

WASHINGTON LETTER

▶ DESPITE 11TH HOUR FLURRY OF ACTIVITY, Congress will put most decisions on pending issues over to next year. Hoping to adjourn early this month to allow members time to campaign, Congress will defer action on a number of spending bills, along with environmental, regulatory, trade, energy and other measures. Pre-election politics are big roadblock to action on many key issues. Members want to avoid, in many cases, commitments that could affect re-election chances--standard procedure at this stage of an election year.

▶ WHILE PRESIDENTIAL CANDIDATES debate likelihood of direct tax increases, tax-writing committees of Congress continue moving quietly to lay groundwork for what will be actual issue before nation next year: tax simplification. Both House Ways and Means and Senate Finance Committees have held hearings on various proposals to make revenue system less complex, more equitable. Business awaits fine print, seeking assurances that simplification isn't used as cover for higher taxes.

▶ RECORD FLOOD OF POLITICAL MAIL going out this year. Richard Viguerie, who heads leading direct mail operation for conservative causes, says his company's volume alone will be twice the size it was in any previous election. He has sent 30 million letters urging support for President Reagan. Viguerie numbers many independent political committees among clients. Largest is National Conservative Political Action Committee.

▶ POLITICAL ANALYST Richard Scammon says desire to target specialized categories of voters is behind mail increase. In letters, he explains, "you can say things you can't say on television." He says television "is so total" that political messages cannot be specific without risking offense to some segment of the audience.

▶ BROADCASTERS SHOULD NOT INCUR fairness doctrine obligations for paid advertisements in which the sponsor is clearly identified, the Association of National Advertisers tells the Federal Communications Commission. Companies wishing to air their side of controversial issues are often rebuffed by broadcasters worried they might have to air countervailing opinions, even if it means providing free air time. Disputing that interpretation of the doctrine, ANA urges the FCC to clarify regulations to specify that broadcasters do not have to air contrary views when sponsors are clearly identified.

▶ BUSINESS INVESTMENT continues as mainstay of recovery. Companies spent more than a half trillion dollars in last 18 months on plant and equipment, plan to spend record $307 billion in 1984. New facilities not only lead to increased employment but also have ripple effect throughout economy. Money goes out to supplier firms providing construction services, equipment for new facilities.

▶ NEW FIGURES show more than 1.75 million new corporations have been formed in past three years, most of them by entrepreneurs. Small business is big factor in recent gains, accounting for majority of 6.8 million new jobs created over past year and a half.

▶ UTILITY INDUSTRY HAS LONG WARNED that recession-depressed demand for electricity could create false sense of security about national ability to meet long-term needs. Industry leaders have said that construction of nuclear, coal facilities to provide electricity for growth through 1990s and beyond was already lagging because of long lead times--more than 10 years for nuclear plants--involved in licensing and regulatory requirements. Now demand is again rising--up 8 percent in first

half of 1984 over same period of 1983. Atomic Industrial Forum says, however, that nuclear power plants to meet growing demand are not viable option. Utilities cannot take on "open-ended financial risk" of nuclear construction, AIF says. That energy form cannot fulfill its potential until construction lead times are reduced through more predictable licensing and regulation processes. Bottom line is more public support for nuclear power, AIF adds.

▶ NEW BUSINESS-GOVERNMENT program to rehabilitate housing in declining neighborhoods will be announced at White House this month. Metropolitan Life Insurance Company is teaming with Federal National Mortgage Corporation to provide $25 million in special loans for improving apartment buildings. Metropolitan will also provide $5 million in low-interest loans through National Housing Service program, which operates in 136 cities in 44 states. Service is a catalyst for improvement projects through cooperation of business, government, residents of affected housing.

▶ AVERAGE WAGE FOR U.S. WORKERS last year was $17,544, up 4.8 percent from year earlier, Bureau of Labor Statistics reports. State averages ranged from $13,188 in South Dakota to $28,720 in Alaska. Only decrease was in Wyoming, where decline in construction wages pulled down statewide average. Biggest gain was Connecticut's 6.4 percent. Breakdown by industry puts oil, gas and mining workers at top with $28,808; retail employes--many of them part-time--at lower end with $10,007 average. Overall, pay growth was greatest in finance, insurance and real estate, lowest in construction.

▶ INTENSIFYING REGULATION of employer-sponsored pension plans could defeat purpose of landmark Employe Retirement Income Security Act, the Employe Benefit Research Institute warns. The Washington-based private-sector organization says further laws making pension administration more complex and difficult could lead employers to think twice about continuing such plans. Government must decide whether it intends to "reaffirm ERISA's goal of fostering employer-sponsored pension programs," institute says.

▶ ONE PUBLIC PENSION PLAN that could come in for more attention is that for employes of supposedly independent U.S. Postal Service. U.S. Treasury still pays a third of cost of retirement benefits for postal workers, and annual contribution could reach $4.4 billion by 1989. Congressional Budget Office asks whether government should continue this subsidy or make mail users bear full cost.

▶ "CORPORATE CAMPAIGN" is euphemistic term labor unions use for strategy to bring pressure on companies resisting demands. Unions involved urge customers, creditors of target companies to refuse to buy from, or make further loans to, these employers. Two consulting firms with close ties to labor are now squabbling over right to use term "corporate campaign." Ray Rogers, who ran such a campaign against leading textile firm, says he has trademarked it for his new company. But the Kamber Group, an older consulting firm, argues term is generic. Trademark office will decide.

▶ BUSINESS GROUPS ARE URGING CONGRESS to restore a tax code provision under which cost of all employer-financed education for employes was excluded from workers' taxable income. The provision was inadvertently allowed to lapse. As a result, a pre-1978 requirement that the education be related to current employment has been reactivated. Employers say that test discourages workers from acquiring new skills that could lead to better jobs.

A Booby Trap for Exporters

By Gerald W. Padwe, C.P.A.

Setting up a Foreign Sales Corporation has tax advantages, although they may have to be deferred.

The Domestic International Sales Corporation, or DISC, has been part of tax law since 1972. American companies have been encouraged to form DISCs and, through them, to export goods and services. The incentive: Half of the federal tax on a qualifying DISC's income (which must come from exports) is deferred. The deferred taxes would be payable to the Treasury someday, if the DISC was terminated, but in the meantime the exporters could keep the money and use it for their own purposes.

But our trading partners challenged the legality of DISCs under the General Agreement on Tariffs and Trade.

Congress responded to these challenges by enacting a new set of tax incentives for export operations, as part of the Deficit Reduction Act of 1984. Starting in 1985, DISCs will no longer be tax protected (with a very limited exception for small businesses), but exporters may set up entities to be known as Foreign Sales Corporations.

A DISC, as the name implies, is a U.S. corporation; an FSC must be incorporated outside the United States and must meet various foreign management tests throughout the year.

To the delight of exporters, the Deficit Reduction Act granted permanent forgiveness of taxes deferred on DISCs' income.

But there is one important catch: This permanent forgiveness applies only if the DISC qualifies as such on Dec. 31, 1984. Thus, DISC owners should anticipate some strong challenges by Internal Revenue Service agents to their DISCs' status as of the end of this year. If that status can be overturned, all untaxed DISC income will suddenly become subject to tax.

And one provision in the 1984 act could give the IRS an advantage. An exporter setting up an FSC must notify the IRS formally that it wishes to qualify for FSC status. But if it does so, one result will be to disqualify any DISCs under common control with the FSC at the time the FSC status is chosen. And for FSC status to take effect in 1985, the choice must be made before Dec. 31, 1984.

This means that protecting FSC status for 1985 will automatically disqualify a commonly controlled DISC for 1984—and thus make payable all the deferred taxes on the DISC's income.

The Treasury Department has been given authority to issue regulations changing the deadline for the choice of FSC status; Treasury regulations could thus forestall automatic disqualifications of DISCs.

Exporters hope that Treasury will issue regulations permitting an FSC choice for 1985 to be made sometime after the close of calendar 1984. If not, exporters may have to consider giving up FSC benefits in 1985.

"Luxury Car" Headaches

The so-called "luxury car" provisions of the Deficit Reduction Act have been among the most publicized parts of the new law. In effect, a business cannot spend more than $16,000 for a car if it wishes to reap the maximum tax benefits from its purchase, though it can receive some benefits on much more expensive cars.

The ceiling on the 6 percent investment tax credit, applied to an auto, is now $1,000, so the credit can actually be taken on a car costing a little more than $16,000 (6 percent of $16,000 is $960); however, no amount above $16,000 can be depreciated under the Accelerated Cost Recovery System.)

These rules apply if the car is used entirely for business. If business use is below 50 percent, no investment credit is permitted, and depreciation for the business portion must be taken on a straight-line basis over five rather than three years.

To the extent that an employe does not compensate the employer for personal use of a company car, or have that use taxed to him or her as wages, the employer gives up part of its tax benefits.

When an employe uses his or her own car for business part of the time, the new rules apply to the employe as much as to the employer. But another rule is applicable here—one that is going to cause some pain. An employe's investment credit or depreciation deduction will not be allowed at all—even though the car is used more than 50 percent for business—unless use of the auto is a condition of employment. To make sure that the condition has substance, the IRS will look to the actual use of the car and to the employe's ability to perform required tasks without an auto.

To permit the IRS to enforce these new limitations, Congress has enacted more stringent recordkeeping rules. For autos, a log must be kept indicating the date of a business trip, the mileage driven for business purposes and the business reason for the trip. These records must be maintained to support a deduction or credit for either employer or employe. In the case of a company car, the IRS will look to the employer for the records.

If either employer or employe uses an outside preparer for the tax return, the preparer must be given written confirmation that the records exist and support the deduction; otherwise, the preparer may not sign the return.

Finally, and most importantly, these recordkeeping and certification rules apply starting in 1985—and as we read the law they will apply to all autos, not just those placed in service after June 18. Further, the compliance rules are not just for cars—they cover all business travel and entertainment deductions.

GERALD W. PADWE *is national director—tax practice for Touche Ross & Co.* For Your Tax File *is an information service for readers. See tax and legal advisers on specific cases.*

Old Enough for What?

Re: "State Action on Drinking Age?" [Where I Stand, August]. All Americans would support a reduction of the deaths caused by highway accidents. But I would like to ask Congress and President Reagan one question: What is the real difference between an 18-year-old's killing someone on the highway and killing someone in a war? Does the uniform make it right?

I have a difficult time rationalizing licensing our 18-year-olds to kill, via conscription, but not allowing them to decide for themselves whether to consume alcoholic beverages.

CLAUDE H. HODGE
Greensboro, N.C.

The attempt to create a national drinking age of 21 stands as much chance of success as Prohibition.

Before the age of 21, many people are out on their own, married, having families and close to finishing college. Society views them as adults, in every sense of the word, and holds them fully responsible for their actions. To tell them that they are not old enough to drink is not consistent, logical or fair.

Wisdom about alcohol and driving does not automatically arrive at the magical age of 21. Those legislators who have been cited for driving while intoxicated are clear evidence of this.

STEVEN J. SCHAFER
Pocatello, Idaho

As one 19-year-old commented to me, "Well, back to the bootlegger."

The federal legislation to force the states to adopt a drinking age of 21 will only help the illegal operators while it encourages our young adults to become lawbreakers.

Why not come down hard on all drunk drivers, whether they are 19 or 90, instead of picking on one age group?

HARVEY SHELLEY
Rome, Ga.

I agree that the age should be raised. But there does arise the prickly question, so astutely and properly raised by young people, of why, if they are permitted to die for their country—if they are regarded as adults when it comes to spilling their blood—they may not have a few drinks when they go out.

There is only one way out of this: Raise the draft age, which is entirely too low, anyway. Today's 18-year-olds are—as anyone who looks around can see—too immature to be asked to do anything so serious as handling a gun and killing other people.

RENALD IACOVELLI
Queens, N.Y.

More federal regulation is never the answer. Parents have the responsibility of making their states aware of the problem and encouraging them to pass appropriate legislation.

We are being lazy when we ask the federal government to do our job for us. We end up paying for it, too.

JEANNA S. ADAMO
Vice President
Celtech Corporation
Celeste, Tex.

Looking ahead

Re: "Two Cloudy Crystal Balls" [James J. Kilpatrick, August].

I am writing not to argue with Kilpatrick's logic but to suggest that there will be deeper concerns than food and shelter in the 21st century.

In the 20th century, technology can fill the belly, but it starves the soul. Technology can address only material problems. The greatest of all human needs is for the soul to be nurtured with freedom, dignity and hope.

If Western civilization fails, it will not be because its devices broke down but because it ignored man's soul.

LEE S. FOUNTAIN, JR.
San Antonio, Tex.

Loctite's lesson

Re: "Drop by Drop, His Firm Won Worldwide Success" [Lessons of Leadership, July].

Robert Krieble's formula for the worldwide success of Loctite Corpora-

Send letters to Editor, NATION'S BUSINESS, *1615 H Street, N.W., Washington, D.C. 20062, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.*

Circle No. 36 on Reader Service Card.

LETTERS

tion is simple: very hard work, intelligence, energy, honesty and luck. Selecting creative people in advance of the needs of his company and developing average people into dedicated executives are some of the leadership tools he mastered.

When I joined Loctite in 1972 as corporate vice president for finance and administration, it had $13 million in sales. When I left in 1980, it had in excess of $200 million in sales. I know what it took to get there.

EMILE KARSON
Potomac, Md.

Cast off or taking off?

In our work with Morgan Stanley in New York and Midwest Federal Savings and Loan Association in Minneapolis—both mentioned in "Helping Cast-Off Managers" [August]—and with others, we stress the positive side of the separation process. In fact, we insist on the term "career continuation" instead of the negative "outplacement."

We believe that referring to these clients as "cast-off managers" suggests incorrectly that they are "losers." In practically all cases, these people are competent and skilled executives or professionals.

They may no longer fit their current situations, but—with help—they almost always find ways to continue their careers in more productive environments, most often at higher salaries.

CLIFFORD J. BENFIELD
President
Hay Career Consultants
New York City

As chairman of a firm with a reputation for quality results, space and personnel, and with locations in 21 cities, I was dismayed to read in the article that Right Associates provides "only grimly utilitarian space arrangements" in Washington.

At the time the article was written, we had been forced to take interim quarters while permanent space was being made available. Our firm currently has in Washington more than 2,300 square feet of modern office space that can hardly be described as "grimly utilitarian."

Right Associates provides individual offices and personalized secretarial assistance to senior executives. For all other candidates, individual work spaces with desk, phone and stenographic pool are available.

FRANK P. LOUCHEIM
Chairman of the Board
Right Associates
Philadelphia

In Japan, where high-tech electronics are a way of life, they pay $714.93 for an American-made radar detector

(You can get the same one for considerably less)

Even we were a little surprised. All we did was build the best radar detector we knew how. We shipped our first ESCORT in 1978, and since then we've shipped over 600,000. Along the way the ESCORT has earned quite a reputation—among its owners, and also in several automotive magazines.

Credentials

Over the past five years, *Car and Driver* magazine has performed four radar detector comparison tests. Escort has been rated number one in each. Their most recent test concluded "**The Escort radar detector is clearly the leader in the field in value, customer service, and performance** . . ." We think that's quite an endorsement.

Our Responsibility

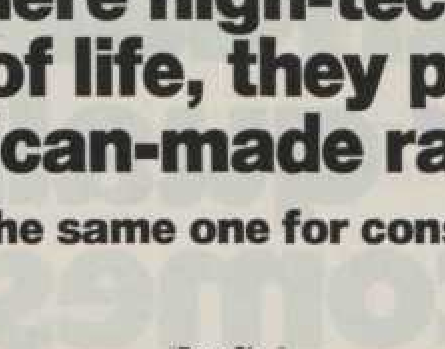
One of the reasons for our reputation is our attention to detail. If we don't feel we can do something very well, we simply won't do it. That's why we sell Escorts direct from the factory to you. Not only can we assure the quality of the ESCORT, but we can also make sure that the salesperson you speak to is knowledgeable. And if an ESCORT ever needs service, it will be done quickly. And it will be done right.

50 States Only

And that's the reason we don't presently sell ESCORTs outside of the United States. Even in the countries that use identical radar (Japan and Australia, to name two) we know that we couldn't provide the kind of customer service that ESCORT owners expect. So we pass up the additional sales rather than risk our reputation.

"Dear Sir..."

So we'll admit we were surprised when a letter from one of our customers included an advertisement from a Japanese automotive magazine. The ad pictured an ESCORT, and the price was 158,000 yen. Our customer was kind enough to convert that to U.S. dollars. Using that day's rate of exchange, an American-made ESCORT was worth $714.93 in Japan. Further translation revealed the phrase "**The real thing is here!**" and warned against imitations.



This ½ page ad was a total surprise.

Econ 101

Needless to say, we were flattered. We knew that ESCORT had an impressive reputation, but we never expected to see it "bootlegged" into other countries and sold at such a premium. But the laws of supply and demand are not so easy to ignore. When there is a strong need for a product, there is an equally strong incentive for an enterprising capitalist to fill that need. And apparently, that's just what happened.

The Moral

We still don't sell out of the country. And the price in this country is still $245. The price we've had for the last five years.

Quite a deal for what the Japanese must think is the best radar detector in the world.

Try ESCORT at no risk

Take the first 30 days with ESCORT as a test. If you're not completely satisfied return it for a full refund. You can't lose.

ESCORT is also backed with a one year warranty on both parts and labor.
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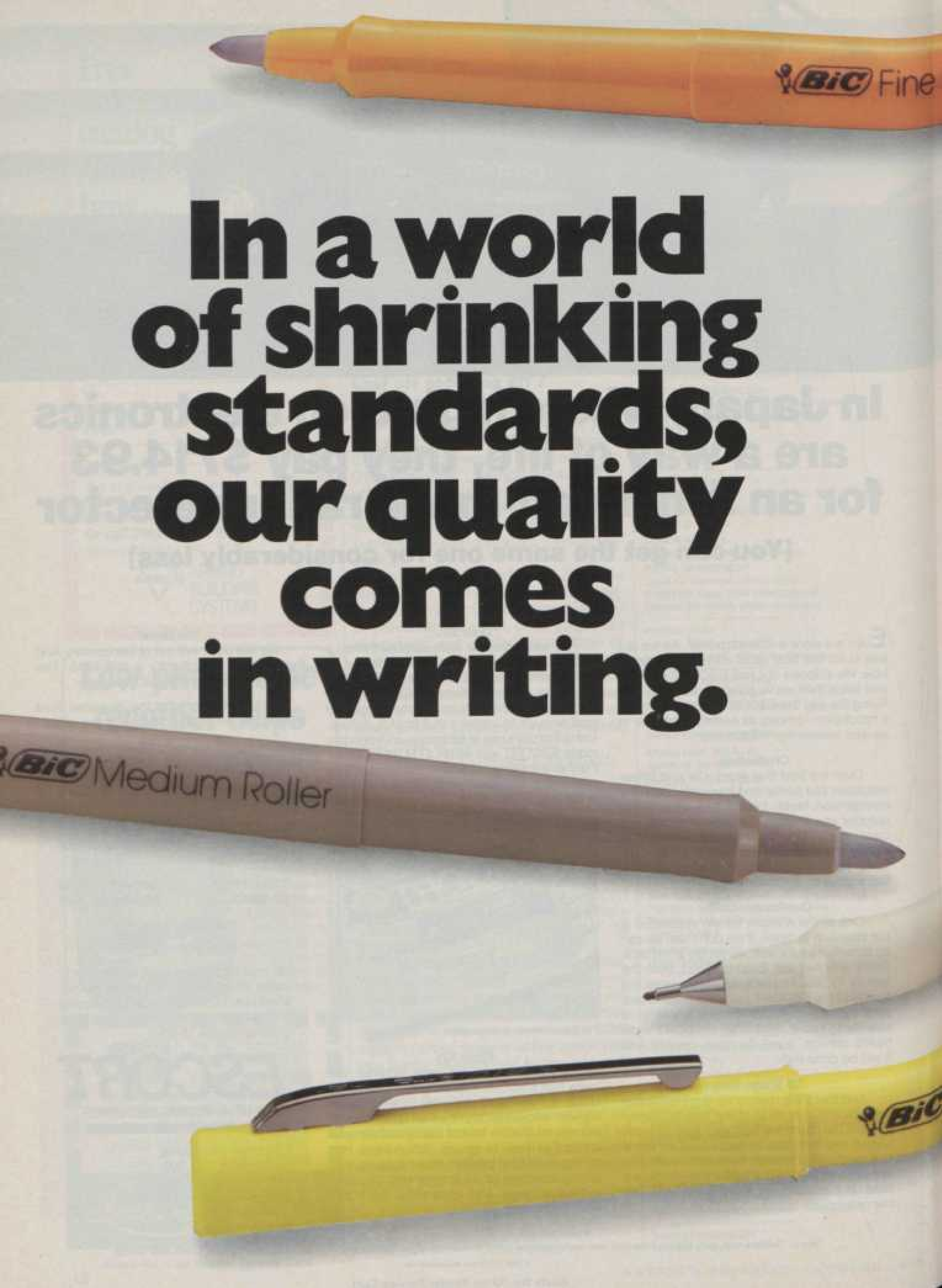
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A Plea To Extend the R&D Credit

A research and development tax credit for small companies should be extended several more years, the National Coalition for Science and Technology has told Congress.

The law, which will expire in December, 1985, if not extended, allows businesses to claim a special tax credit of up to 25 percent of any increase in their spending for research.

The tax credit was originally enacted as part of the 1981 Economic Recovery Tax Act.

Speaking before the House Ways and Means Committee, NCST Executive Director Marc Rosenberg characterized the tax credit as "helpful to our national effort to maintain America's role as a world leader in scientific discovery and technological advancement."

PHOTO: GARY KIEFFER

Marc Rosenberg spoke for a coalition of small businesses and others asking Congress to extend the R&D tax credit.

Rosenberg's testimony for the coalition—a consortium of small businesses, trade associations and colleges engaged in R&D work and applications—emphasized the long lead time required for corporate budget planning and the amount of time required to complete many major research projects.

A short-term extension of the law, as has been recommended by the Treasury Department, would not be as helpful as making the tax credit a permanent part of the tax code, Rosenberg said.

"Most corporations view major R&D outlays almost as they would a capital expenditure," he said. "Big R&D projects are planned several years in advance, and they take time to execute. Major R&D projects that would begin in 1986, after the tax credit expires, are already in the planning stages, and budget decisions are being made right now."

Prompt extension of the tax credit, Rosenberg said, would eliminate the uncertainty many businesses face in trying to plan projects.

Earlier this year, the Senate voted to extend the R&D tax credit as part of the Tax Reform Act of 1984, but members of the House Ways and Means Committee blocked its inclusion in the final version of the bill signed by President Reagan.

Learning and Doing

Eighth and ninth graders in 29 cities across the country are learning more about running a small business through a joint program of the Small Business Administration and Junior Achievement. The two-part economics education course fits into a typical eighth or ninth grade social studies class. In the first part, "Project Business," a local business executive, in partnership with a teacher, presents business economics lectures once a week for 12 weeks. The second part, "Applied Economics," has been designed as a one-semester elective course. A business executive also teaches one day a week in this course, which includes computer simulations, case studies and operation of a Junior Achievement company.

Junior Achievement is a private organization that introduces youngsters to business by helping them set up and run short-lived companies that make and sell products. Typically, Junior Achievement companies are timed to last one school term. Students making up the company divide profits at the end of the term.

The 29 cities were selected for the pilot program chiefly because they have SBA regional offices and existing Junior Achievement activities. SBA chief James C. Sanders says the government hopes to extend the course to all 65 cities where SBA offices are located.

Participating cities are Phoenix; Los Angeles; San Francisco; Denver; Hartford; Wilmington, Del.; Washington; Jacksonville and Miami, Fla.; Chicago; Indianapolis; Des Moines; Baltimore; Boston; Detroit; Minneapolis; Jackson, Miss.; St. Louis; New York; Rochester, N.Y.; Cincinnati; Cleveland; Pittsburgh; Providence; Dallas; Houston; San Antonio; Seattle; and Milwaukee.

Guide for Subcontractors

Looking for a new market for your product or service?

The Pentagon may be the place—last year, small businesses garnered $15.6 billion in subcontract awards from prime contractors through the Defense Department.

To tap into that market, you need the new *Small Business Subcontracting Directory*, a listing of companies that are prime contractors for the Pentagon. This government publication also shows the kinds of products and services the prime contractors sell, and gives the name and phone number of the subcontracting personnel in each company.

The 132-page book sells for $5. Order stock number 008-040-00184-9 from Department 36-GG, Superintendent of Documents, Washington, D.C. 20402.

Fresh Funds for SBDCs

Congress has given a $30 million budget and a new lease on life to the Small Business Administration's management assistance program.

The Small Business Development Center program, started in 1976, operates in colleges and universities in 32 states and the District of Columbia. It has helped almost 300,000 small companies.

Seven more states have applied to have the SBDC program set up in colleges within their borders. Federal funds pay up to half the operating costs of the centers. The states provide matching funds.

Faculty and graduate business students help business owners make improvements in the way they run their companies.

Congressional reauthorization of the program ensures that it will continue until 1990.

Nearly all the current SBDCs are run by colleges and universities, but any group—a service organization, for example—may apply to the SBA to be designated an SBDC.

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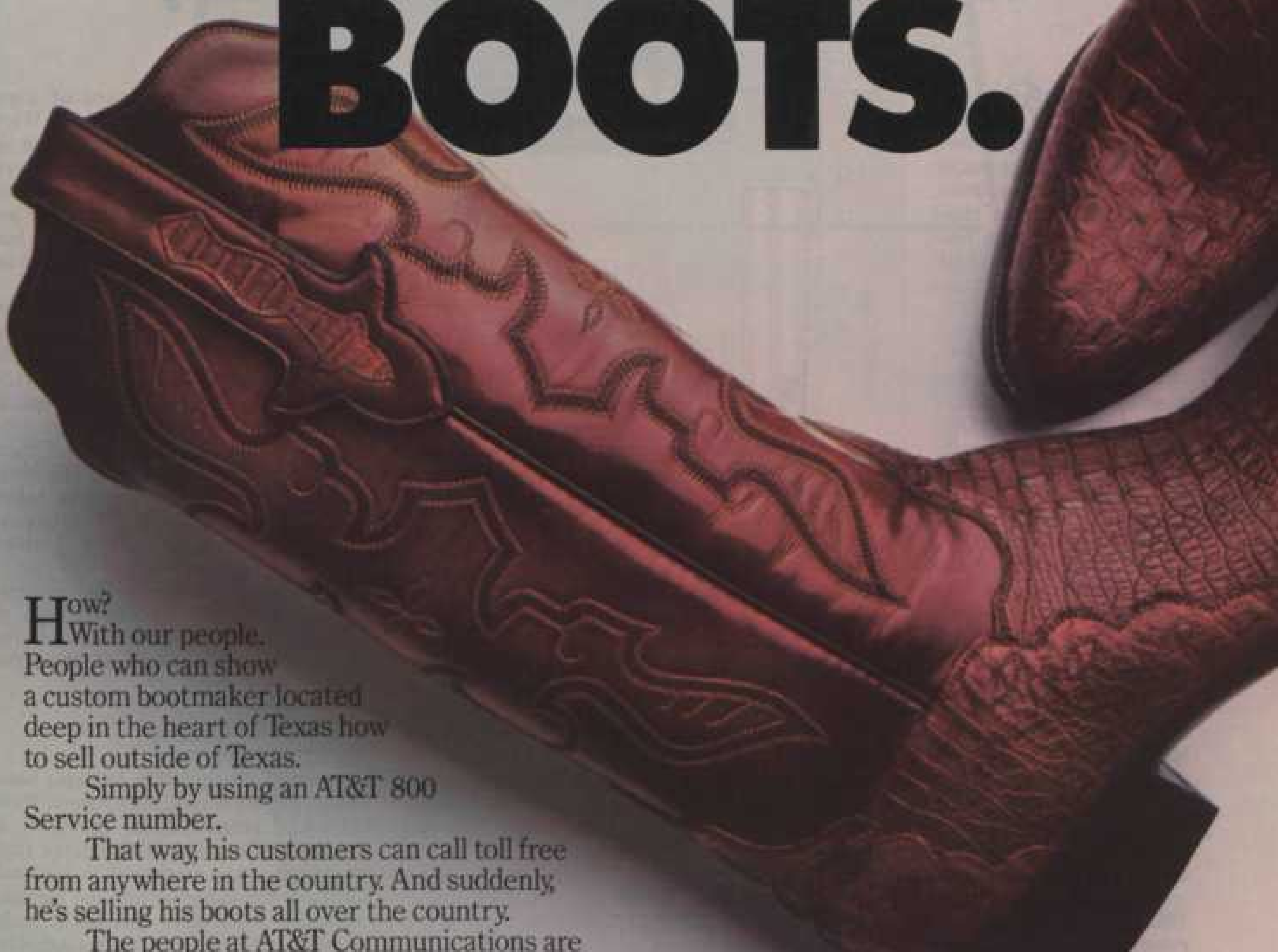

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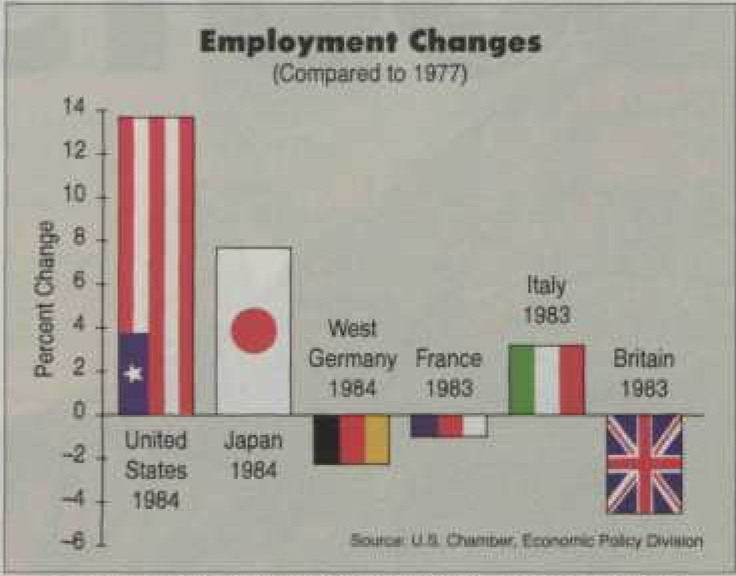
Why Interest Rates Aren't Scary

High interest rates, traditionally a drag on investment, are no longer seen by business as the major problem they once were, says Adrian Dillon, chief economist for Eaton Corporation, a Cleveland-based capital goods manufacturer.

The supply of credit used to be limited, he says, because of congressionally imposed ceilings on interest rates that could be paid by commercial banks. Recurrent supply crunches, which had a devastating effect on the economy, have been alleviated by permitting banks to issue new types of debt instruments that have attracted savings. Interest rates on these instruments are not federally regulated.



The U.S. economy has generated jobs at a torrid pace while many European economies have stagnated or even lost ground.

"Now, for the first time in history," Dillon says, "credit is allocated on the basis of cost"—that is, under deregulation the supply of credit can rise to meet the demand for money. The rate of return on investment, not the cost of money per se, has thus become the decisive consideration in making an investment.

That change—in concert with the 1981 tax cuts that boosted the after-tax return on business investment—is responsible, Dillon says, for what he calls "the most rapid expansion since World War II."

Dillon predicts that business spending will remain at high levels through 1985.

During the first 18 months of the recovery, such spending was up 25 percent, versus an average gain of 8 percent over the first 18 months of each of the three major expansions since 1960. Business investment over the last 24 months totaled $560 billion.

Another factor affecting the capital spending boom, Dillon says, is the strong dollar: In four years it has risen 35 percent against some European currencies.

"That has forced domestic companies to modernize just to stay competitive with foreign firms," he says.

"Capital equipment producers who are determined to remain on the technological edge, on the basis of cost, will thrive," Dillon says. "Those companies living as if the United States were an island, passing on prices and not worrying about foreign competition, are going to die."

Dillon forecasts that electronics will snag half the capital goods dollars spent this year, up from just 17 percent 20 years ago.

The Tax Threat

The threat of higher taxes in the United States is a real one, says Nicholas Filippello, Monsanto Company's chief economist and the immediate past president of the National Association of Business Economists.

He says excessive government spending, rather than inadequate taxation, is to blame for creating a big gap—about $170 billion during the fiscal year ending September 30—between federal spending and revenues.

"If you close that gap by raising taxes," warns Filippello, "it would have an adverse affect on the economy. You would have less growth."

Employment Here and There

Seven million jobs have been created during the expansion, most of them by small and medium-sized companies.

By contrast, the economies of many Western European countries have stagnated in the last decade.

One measure of slow growth in Britain, West Germany and France is that employment there has actually dropped since 1977; during the same period, the United States has added 10 million new jobs to its work force.

One major difference, says Martin Lefkowitz, director of economic trends and statistics for the U.S. Chamber of Commerce, is that the European governments spend half of their citizens' wealth. By contrast, government takes one third of citizens' wealth in the United States.

The lesson for governments, Lefkowitz says, is that lower taxes are crucial to a higher standard of living for more of their people.

More Good Omens

Financial deregulation has also been a boon to individuals, says Joseph Duncan, chief economist for the Dun & Bradstreet Corporation. He notes that 30 percent of the recent rise in personal income is due to higher interest income.

Duncan says there has been "substantial improvement" in households' balance sheets in recent months, as consumers have cut back on purchases and reduced debt while adding to savings.

"This means we will have a very strong December," he says. "I see little evidence that there will be a drop-off in sales later this year. People have money in their pockets, and they are going to spend it."

Duncan is not worried that U.S. factories' rising production levels—now about 83 percent of capacity—will set off a new round of inflation. "U.S. capacity levels don't mean anything any more," he says. "You have to look at world capacity."

He forecasts that the U.S. economy will grow 7½ percent this year, about three times the expected growth rate in Europe and one third faster than Japan. Duncan says plenty of excess factory capacity exists worldwide, so domestic companies that raise prices may do so at the risk of losing sales.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'84 ELECTION

MONDALE VS. REAGAN: What's at Stake for Business

A report on election issues as the candidates see them and on how many business people see the candidates.

By Peter A. Holmes

WILLIAM FARLEY, chairman and chief executive officer of Chicago's Farley Industries, says, "Ronald Reagan's policies are more conducive to economic growth than are those of Walter Mondale."

But Irvin Kipnes, who heads Alpase, Inc., of Downey, Calif., and is chairman of the Democratic Business Council, says the tax and spending plan offered by the Democratic presidential nominee "will reduce the federal deficit and lower interest rates, which, in turn, will strengthen the economy."

Those sharply conflicting views of two executives spotlight what has become, from the business perspective, the key question of the 1984 presidential election campaign: Which candidate is better equipped to strengthen and continue the economic expansion, now entering its third year?

Mondale escalated that debate significantly last month with the introduction of his plan to cut the federal deficit through a combination of tax increases and spending reductions, primarily in defense and interest on the national debt.

Although economic policy tops the list of business issues, the candidates and their platforms have staked out positions in many other areas of major importance to those who run the nation's enterprises.

Labor law, regulation, agriculture, defense and trade are among these matters of business concern that will be affected by the outcome of the election November 6.

Mondale's deficit reduction plan has dominated that portion of the campaign dealing with business issues, however, and is a matter of particular interest to business people.

The Democratic nominee's plan calls for $85 billion in tax increases, which, he says, will fall most heavily on upper-bracket taxpayers. He also proposes $105 billion in spending reductions and $30 billion in spending increases, for a net cut of $75 billion in outlays in fiscal 1989.

Mondale declared in announcing his plan: "The Reagan deficit is not just another problem; it's a crisis. It may have brought an election-year recovery; it will surely produce a postelection catastrophe."

Reagan countered by telling a business audience: "We don't need more politicians insisting we have deficits because you're not taxed enough. Those deficits ballooned from an economy that didn't grow enough and from 50 years of government spending too much."

One of the key supporters of the Reagan position is a

Democratic presidential nominee Walter Mondale and his running mate, Rep. Geraldine Ferraro, argue that the No. 1 economic priority is to reduce the federal deficit.

PHOTO: DENNIS BRACK—BLACK STAR

PHOTO: DENNIS BRACK—BLACK STAR

President Reagan and Vice President George Bush emphasize increased economic growth, low inflation and controlled government spending as the best way to bring down the deficit.

business leader credited with doing more than any other private citizen to focus public attention on where current federal spending policies could take the economy through the remainder of this century—J. Peter Grace, chairman and chief executive officer of W.R. Grace & Company.

He headed the President's Private Sector Survey on Cost Control, known as the Grace Commission. That panel identified nearly 2,500 specific steps that could be taken to eliminate waste and improve efficiency in government.

Grace identifies himself as a lifelong Democrat, but he says the difference between Reagan and Mondale is $60 billion to $120 billion a year—the amount by which he says a Mondale administration would outspend a second Reagan administration.

The views of Grace, who heads a company with $6.2 billion in annual revenues, are matched by those of Richard Sanford, president of IBA Mutual Insurance Company, of Kalamazoo, Mich., and founder of his state's small business association. He says the Mondale tax plan would hit hardest "the ones who carry the burden in this country. It's 180 degrees from the way this country needs to go."

OTHER OWNERS and managers of smaller businesses point out that spending restraint topped 41 goals listed by the Small Business National Issues Conference in Washington last June and that tax increases were specifically ruled out as a deficit reduction device.

One measure of small business' preferences in the campaign is a NATION'S BUSINESS "Where I Stand" poll. Most of the respondents are in small business. At the halfway point for receipt of the mailed responses, they favor Reagan by a margin of 9 to 1.

IBA's Sanford says, "Reagan seems to have a better sense of what small business is about than any President we have had in decades."

Stuart Moldaw of U.S. Venture Partners, a Menlo Park, Calif., firm that helps fund new high tech businesses, disagrees. "I'm willing to pay more taxes to reduce the deficit," he declares.

Moldaw, who is a fund raiser for Mondale, says his candidate is "more aware than Reagan of the needs of small business."

Mondale and his supporters generally are hoping that voters will accept his view that higher taxes are the lesser evil compared with unchecked deficits and that his willingness to offer a specific plan will put him in a positive light.


personal computer IBM has ever made.

'84 ELECTION

Fred Lafer, a senior vice president at Automatic Data Processing, of Clifton, N.J., says the Mondale announcement offers business a sense of certainty about the future. "Mondale's bold plan to reduce the deficit, lower interest rates and bring down the value of the dollar is on the table," he declares. "Where's the Reagan plan?"

On the campaign trail and in interviews, the President agrees the deficit is a serious problem but insists that any talk of tax increases is premature at best. He said in response to a question from NATION'S BUSINESS on the subject:

"We need to attack the fundamental problem, which is excessive federal spending. We are trying to deal with the deficit problem, not by taxing America into a recession as some would do, but by making government live within its means and building an economy that generates jobs and tax revenue."

He added: "We won't even consider raising taxes until after we have cut down federal spending to the minimum level required to finance truly necessary federal activities. After all, let's not forget that the best way to bring down the deficit is through strong economic growth and expansion."

Stanley Gault, chairman and chief executive officer of Rubbermaid, Inc., of Wooster, Ohio, backs that view: "The Mondale deficit reduction program is a quick fix that puts the focus on tax increases rather than on spending reductions. It will discourage savings and investment."

WILLIAM FARLEY of Farley Industries sees the election contest in fundamental terms: "The race between Mondale and Reagan is a contest between two philosophies. If Mondale is elected, he will raise taxes and increase spending, and you'll see higher inflation. With Reagan, you'll have a better economic environment, lower inflation and more pressure to restrain spending."

Farley qualifies as particularly knowledgeable on economic growth: The company he founded just seven years ago to produce transportation equipment, castings and fasteners now has 7,000 employes and $750 million in annual sales.

In addition to fiscal and economic issues, business' major concerns include prospects for changes in government oversight of labor-management relations.

Irving Shapiro, former chairman and chief executive officer of E.I. du Pont

Two Parties, Two Positions On Problems

Planks in platforms adopted by the rival parties would build different futures for America. Here is where the Democrats and Republicans stand on key campaign issues.

PHOTO: DEFENSE DEPARTMENT

Defense

Republicans: Continue to devote the resources essential to deter a Soviet threat.

Democrats: A prudent defense based on sound planning and realistic assessment of threats.

PHOTO: DAVID VALDEZ

Spending/Taxes

Republicans: Reject tax increases, favor spending cuts to balance budget; support balanced-budget amendment.

Democrats: Wealthier taxpayers must shoulder new tax burdens. Oppose balanced-budget amendment as artificial.

PHOTO: GARY KIEFFER

Central America

Republicans: Continue American support for El Salvador government and rebel forces fighting Marxist Nicaragua regime.

Democrats: Solution lies in new policy that fosters social, economic and political reforms, not in vast military aid.

PHOTO: DAVID VALDEZ

Agriculture

Republicans: Primary role of government is creating opportunity for free and competitive economic and policy environment. Also back sound credit policy.

Democrats: Forge a new agreement on a policy assuring fair deal for family farmers, consumers, taxpayers and others with stake in food economy.

PHOTO: DAVID WOODDELL

Jobs

Republicans: Expand incentives for capital formation that creates jobs. Curb regulations that limit employment.

Democrats: Stabilize the economy, invest in infrastructure, establish industrial policy and new training programs.

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de Nemours & Company and now chairman of its finance committee, says that organized labor "would have a stronger voice with Mondale in office." Shapiro, a Mondale supporter, adds, "You can't have a successful economy if labor is shut out."

One of Mondale's most controversial positions in the labor arena is his support of legislation designed to stem the flow of foreign-made cars into the United States. A bill pending in Congress would prohibit sale of vehicles that did not contain a specified percentage of American-made parts. The percentage would rise in proportion to the number of cars a foreign manufacturer sold in the United States, and the impact of the legislation would fall most heavily on Japanese manufacturers.

Critics say the bill would drive up the cost of autos sold in this country and cause foreign countries to retaliate against U.S. products.

Protectionism can exact other penalties in addition to higher price tags on cars, those critics assert. And John Breen, chairman and chief executive officer of Cleveland-based Sherwin-Williams Company, says Third World debt is one of the most pressing problems facing the nation today. Debtor countries, he says, are paying off their loans with revenues from low-priced exports to the United States.

Policies that reduce American purchases of other nations' output would deny those nations the money to pay their debts, Breen says. The result, he adds, could put a financial squeeze on U.S. lender banks on which domestic companies also rely for capital.

"The external debt owed to the United States is so enormous that policies to maintain a high level of noninflationary growth are absolutely essential," he adds.

FURTHER CLUES as to what business could expect from a second Reagan administration or from a Mondale election are available in their respective parties' platforms. Here is a sampling:

INDUSTRIAL POLICY

The Democratic platform calls for an industrial strategy that "blends the genius of the free market system with vital government partnership and leadership."

This would be accomplished through creation of an Economic Cooperation Council composed of representatives of labor, government and business.

The council would seek "industrial modernization and growth agreements that commit management to new domestic investment [and] higher employment levels." Allocation of credit would be among the responsibilities of an agency set up to implement an industrial policy.

The Republican platform contains no reference to an industrial strategy but pledges instead to "continue to return control over the economy to the people."

INFLATION

Both parties express unhappiness with Federal Reserve Board policies to control the money supply. The Republican platform calls for an end to the board's "destabilizing actions" and declares: "We need coordination between fiscal and monetary policy, timely information about Fed decisions and an end to the uncertainties people face in obtaining money and credit."

The Democrats hold that monetary policy should bring about "stable real interest rates" and should not be based

on "rigid adherence to monetary targets." Their platform says levels of money growth aimed at lowering inflation should be "leavened with a pragmatic appraisal of what is happening in the harsh world of the world economy, particularly the impact on unemployment, interest rates and the international value of the dollar."

LABOR LAW

The Democrats call for "greater employe participation in the workplace" through such steps as "actual ownership of the company," representation on corporate boards and greater participation in management decisions generally. They also call for laws that would require companies to give advance notice of plans to relocate and for government encouragement of employe ownership of companies, "particularly as an alternative to plant shutdowns." In addition, the Democratic platform endorses the concept of "equal pay for comparable worth," which is expected to become one of the most controversial business issues over the next few years.

Under that approach, workers performing different jobs would be paid the same if it could be shown they were making comparable contributions to society.

In direct conflict with the Democratic platform, the Republican policy declaration reaffirms support for Section 14(b) of the Taft-Hartley Act, the "right to work" section that opened the way for state laws barring union membership as a condition of employment.

The GOP also states: "The political freedom of every worker must be protected. Therefore, we strongly oppose the practice of using compulsory dues and fees for partisan political purposes. Also, the protection of all workers must be secured. Therefore, no worker should be coerced by violence or intimidation by any party to a labor dispute."

HEALTH

There is a clear-cut division on the longstanding issue of national health insurance. The Democrats reassert their support for "comprehensive national health insurance," whereas the Republicans oppose "any proposal for compulsory national health insurance."

REGULATION

The Democratic platform "strongly reaffirms" a "commitment" to a wide range of federal regulatory programs it says are "designed to enhance and protect the health and safety of all Americans." It accuses the Reagan administration of "ignoring and subverting" agencies responsible for carrying out those programs. They include the Environmental Protection Agency, Occupational Safety and Health Administration, Consumer Product Safety Commission, Food and Drug Administration and Federal Trade Commission.

The Republican platform says the GOP has stemmed the flood of regulation, saving $150 billion for businesses and consumers over the next decade by removing bureaucratic roadblocks, encouraging efficiency and achieving desired results through cooperation rather than coercion.

Taking a different tack on regulation than the Democrats, the GOP criticizes regulations supported by that party or by organized labor: the minimum wage—the Republican platform calls for a special youth minimum—and prohibitions against manufacturing and some other types of work in the home.

ENERGY

A major difference in the energy area is over nuclear power. The Democratic platform expresses strong oppo-

Rep. Jack Kemp (R-N.Y.) was a leader in the successful drive to put a clear-cut antitax provision into a GOP platform strong on market-oriented policies.

sition to what it terms the Reagan administration's policy of "aggressively promoting and further subsidizing nuclear power." The GOP document: "We will work to eliminate unnecessary regulatory procedures so that nuclear plants can be brought on line quickly, efficiently and safely."

AGRICULTURE

The Republican platform declares: "The primary responsibility of government with respect to agriculture is to create the opportunity for a free and competitive economic and policy environment supportive of the American farmers' and ranchers' industrious and independent spirit and innovative talent. We further believe that, to the extent some well-managed and efficient farms and ranches are temporarily unable to make a profit in the marketplace, it is in the public interest to provide reasonable and targeted assistance."

The Democrats call for "a new agreement on a farm and food policy that assures a fair deal for family farmers, consumers, taxpayers, conservationists and others with a direct stake in the organizational structure of the food economy." They pledge to target federal assistance "toward true family-sized and beginning farmers' operations," to "use the full range of programs to reduce excess production when necessary to assure fair prices to farmers" and to give new emphasis to producer-controlled marketing agreements.

WELFARE

The Republicans view public assistance as "a transition to the world of work" for all except the aged and disabled.

Their platform states: "Remedying poverty requires that we sustain and broaden economic recovery, hold families together, get government's hands out of their pocketbooks and restore the work ethic."

The Democrats argue that "far from encouraging independence, the administration has penalized those seeking to escape poverty through work by conditioning assistance on nonparticipation in the workplace."

HOW HAVE THE views of the candidates and their parties' platforms been received by the electorate generally? In most general opinion polls taken recently, the President has come out 15 to 25 points ahead of Mondale.

Mondale backers in the business community are thus expressing varying degrees of pessimism. Robert Rubin, a partner in Goldman Sachs & Company, the Wall Street investment banking firm, supports Mondale but concedes there is skepticism among business leaders about him based on fear that he is "an old-line liberal."

Dorman Commons, a former chairman of Natomas Company and a member of the Democratic Business Council, suggests that the real question to be asked now might be, what are the plans of a second Reagan administration?

And a veteran of the political wars says the outcome might be out of Mondale's hands entirely. Sen. John Glenn of Ohio, who sought the Democratic nomination, says Mondale's chances of improving his position "could quite possibly depend more on what the President does than what we do on the Democratic side." ■

Looking Behind Labels on The New Congress

The struggle for control turns on ideology as well as party.

By Harry Bacas

EARLY NEXT YEAR, when the newly elected President makes his first legislative proposals to Congress, will he confront a receptive body controlled by members of his own party? One that is politically divided but cooperative? Or one that is hostile, so that cooperation comes hard if at all?

A host of decisions on issues of great concern to business people could depend as much on who wins congressional races as on who is elected President November 6.

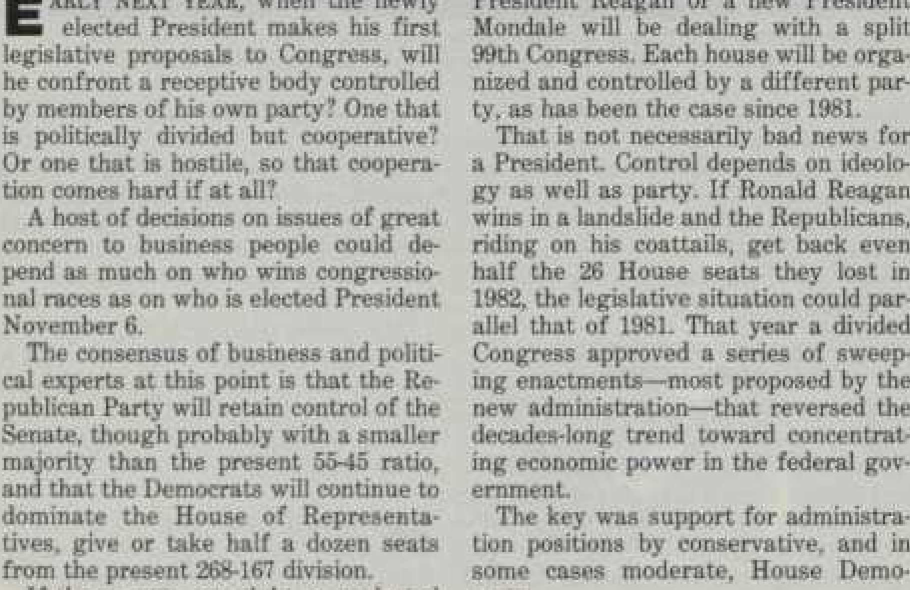
The consensus of business and political experts at this point is that the Republican Party will retain control of the Senate, though probably with a smaller majority than the present 55-45 ratio, and that the Democrats will continue to dominate the House of Representatives, give or take half a dozen seats from the present 268-167 division.

If the experts are right, a re-elected President Reagan or a new President Mondale will be dealing with a split 99th Congress. Each house will be organized and controlled by a different party, as has been the case since 1981.

That is not necessarily bad news for a President. Control depends on ideology as well as party. If Ronald Reagan wins in a landslide and the Republicans, riding on his coattails, get back even half the 26 House seats they lost in 1982, the legislative situation could parallel that of 1981. That year a divided Congress approved a series of sweeping enactments—most proposed by the new administration—that reversed the decades-long trend toward concentrating economic power in the federal government.

The key was support for administration positions by conservative, and in some cases moderate, House Democrats.

PHOTO: KEVIN HORAN



Sen. Charles Percy (R-Ill.) greets supporters at a Labor Day parade. Percy, chairman of the Senate Foreign Relations Committee and one of the most senior Republicans in the Senate, faces five-term Rep. Paul Simon (D).

"Republicans and Democrats—I don't think the labels mean that much," says political expert Richard M. Scammon, director of the privately funded Elections Research Center. "The names are like a glass and a cup. It's what you pour into them that counts."

Joseph Fanelli, president of the Business-Industry Political Action Committee, which represents 1,500 businesses and associations and more than 100 business PACs, says that "the goal of business should be to maintain or improve a favorable coalition, whether Democrats or Republicans, in Congress." He explains:

"In the Senate we have a majority of senators and a majority of committees structured in a way favorable to the business point of view. The crucial question is, will this business-oriented, conservative coalition be maintained?

"In the House, 6 or 10 seats could make a more workable coalition for a re-elected Republican administration."

Don V. Cogman, founder and a director of the National Association of Business Political Action Committees, agrees that "business people should be working to elect both Democrats and Republicans who will help bring back some of that coalition that worked so well during Reagan's first two years."

THE PARTY PROFESSIONALS have ambitious goals. Ann Lewis, political director of the Democratic National Committee, says, "Our aim is to gain control of the Senate and to increase our margin in the House by 5 to 8 seats."

Steven Lotterer, spokesman for the National Republican Congressional Committee, says, "Conditions look better for us now than at the same stage in 1980, when we gained 32 seats in the House."

Lewis believes the Democrats' best hopes lie in a voter turnout much larger

PHOTO: MURRAY & ASSOCIATES

Sen. Jesse Helms speaks at a rally in North Carolina, where his re-election campaign against Gov. James Hunt has drawn national attention.

than the 85 million who voted in 1980.

"If we get 100 million people to the polls," she says, "we can elect a President and elect senators in Texas, Tennessee, North Carolina, Illinois and Mississippi"—seats now held by Republicans. With 50 senators and the tie-breaking vote of a new Vice President, the Democrats would thus control both houses of Congress.

But Scammon challenges the widely held idea that larger turnouts necessarily favor Democrats. "There's a new school of thought that says you have to look at who those added voters will be," he says.

Voter turnout is on other strategists' minds these days. Labor unions, businesses and interest groups are conducting register-and-vote drives (see article on page 33).

Party professionals are concentrating their campaign efforts on races where they believe they are most likely to make a difference. In the Senate, that means contests for 8 of the 19 Republican seats up this year and 3 of the 14 Democratic seats at stake.

David M. Staton, a former member of Congress from West Virginia who is now manager of the U.S. Chamber of Commerce political action department, agrees with Ann Lewis that Republican Sens. Charles Percy of Illinois, Jesse Helms of North Carolina and Thad Cochran of Mississippi are somewhat vulnerable, and that the seat being vacated by Senate Majority Leader Howard Baker in Tennessee may go Democratic. He adds Sen. Roger Jepsen of Iowa to the list of Republicans in tight races.

But he believes that Republican Rep. Phil Gramm will take retiring Republican Sen. John Tower's seat in Texas and that Republican Sens. Rudy Boschwitz of Minnesota and Gordon Humphrey of New Hampshire will win close re-election battles.

Among Senate seats now held by Democrats, Staton believes Republicans have their best chances to make gains in Massachusetts, where Sen. Paul Tsongas is retiring, and in West Virginia, where Sen. Jennings Randolph is leaving office. In a third close contest, he believes Democratic Sen. Carl Levin of Michigan has a slight edge for re-election.

The national parties are not equally involved in all 435 House races, either. The Republicans have targeted about 100 contests, most of them Democratic seats where they think they have a good chance of ousting the incumbent. They are less involved in protecting their own incumbents, except a small number who appear vulnerable—a much smaller number than in 1982, "when 10 percent unemployment in October really killed us, voters were deserting the Republican Party in droves, and we had to try to minimize our losses," says Lotterer.

The Democratic National Committee's Lewis believes fewer Democratic House incumbents are vulnerable than are Republican incumbents. She describes the DNC's main national effort as "not just to fund the candidates but to identify the people who will vote for them and bring them to the polls."

One habit the Democrats hope to break is losing close races to the Republicans. In the last two elections, 17 Senate races were decided by 2 percent of the vote or less, and Republicans won 14 of those races. Sophisticated techniques of research, polling, fund raising, campaign planning and media use are credited for those results.

The U.S. Chamber's Staton says of close races: "If business is to be politically effective, we have to increase our ability to get people who believe in what we believe in to the polls. So many races are won with an average margin of just a few votes per precinct that we have to assist our candidates to get those votes out."

James B. Lockhart, vice president of San Francisco-based Transamerica Corporation and supervisor of the company's three political action committees, offers this personal forecast of the coming election:

"Ronald Reagan is going to win big, across the country. But in his second term he is going to have a real battle with Congress, Democrats and Republicans alike. He's going to win on most issues because of a new centrist coalition that is getting larger all the time in this country. He'll lose the liberals and the right-wingers, but he'll have the support of Republicans and Democrats—particularly from the sun belt states—who believe in moderation and fiscal soundness."

HERE ARE SOME of the Senate and House races being watched closely by business people. They are all close contests between opponents with distinctly different views on government and the economy.

PHOTO: HERMAN KOKOJAN—BLACK STAR

Rep. Phil Gramm (R-Tex.), a leader of conservatives in the House, is bidding for the seat of retiring Sen. John Tower (R).

California. Rep. George Brown (D) faces John Paul Stark (R) for the third time. Stark drew 43 percent of the vote in 1980 and 46 percent in 1982. The race, in the 36th district, is considered one of the few competitive races in California this year.

Connecticut. In the third district, former Rep. Larry DeNardis (R) goes against Rep. Bruce Morrison (D), who unseated him two years ago by just 1,600 votes.

Delaware. The single House seat from this tiny state is held by freshman

'84 ELECTION

Rep. Tom Carper (D). He faces Elise du Pont (R), who is the wife of outgoing Gov. Pierre du Pont and is a former State Department official.

Illinois. Sen. Charles Percy (R), chairman of the Senate Foreign Relations Committee, is being challenged by Rep. Paul Simon (D), a former lieutenant governor, in Percy's bid for a fourth term.

Minnesota. Sen. Rudy Boschwitz (R), completing his first term, faces a strong re-election challenge from Minnesota Secretary of State Joan Growe (D) in Walter Mondale's home state.

Mississippi. Sen. Thad Cochran (R) won a three-way contest in 1978 after serving three terms in the House. He faces outgoing Gov. William Winter (D).

In the second district, Rep. Webb Franklin (R), the first Republican to represent the area since Reconstruction, again opposes state Rep. Robert Clark (D), whom he defeated in a close 1982 election.

New Hampshire. Sen. Gordon Humphrey (R) is being challenged by Rep. Norman D'Amours (D). Humphrey was elected in 1978 with only 51 percent of the vote in a state where Republicans have a significant registration advantage over Democrats.

New York. In the 15th district, Rep. Bill Green (R), who upset Bella Abzug (D) in 1978, narrowly defeated Betty Lall (D) in 1982. Redistricting has left only 35,000 Republicans out of 200,000 registered voters.

PHOTO: STEVE NORTHUP—BLACK STAR

Rep. Trent Lott (R-Miss.) addresses the Republican National Convention in Dallas. Lott, a spokesman for the party's new conservatives, won 79 percent of his district's vote in 1982.

North Carolina. Sen. Jesse Helms (R) and Gov. James Hunt (D) have been conducting their campaign for Helms' seat for two years, setting all-time records for expenditures, out-of-state contributions and national attention.

Ohio. Rep. John Kasich (R), the only Republican challenger to unseat a Democratic incumbent in 1982, is opposed by Richard Sloan (D), former aide to Sen. Howard Metzenbaum (D), in the 12th district.

Texas. Rep. Phil Gramm (R) is leaving the sixth district seat to run against union-backed state Sen. Lloyd Doggett (D). In the district, which is between Houston and Dallas, Joe Barton (R), an energy consultant, faces Dan Kubiak (D), former state representative.

'84 ELECTION

Going All Out To Bring Out The Business Vote

Signing up new voters is a top priority for other groups, too.

PHOTO: MIKE GORDON

David Owen, executive vice president of the Missoula (Mont.) Chamber of Commerce, registers a new voter. Montana law makes registration simple.

WITH ELECTION DAY only a few weeks away, Americans are being urged as never before to register and vote. Business organizations have added strong voices to a chorus of appeals to go to the polls November 6.

The national parties, labor organizations and hundreds of more narrowly focused groups—from Interfaith Action for Economic Justice to the National Family Planning and Reproductive Health Association—are trying to rouse potential voters, sometimes with attention-getting gestures.

For example, the National Association for the Advancement of Colored People has held three cross-country voter registration marches this year.

The Republican National Committee is spending 10 times as much on voter registration this year as it did in 1980. The payoff: 1.8 million new GOP voters have registered so far.

Ann Lewis, the Democratic National Committee's political director, says the DNC has a strategy for getting out the vote that will make 1984 "the best year you've ever seen" for election turnout.

Part of the Democrats' strategy, Lewis says, is to rely on its "very effective partner," organized labor. The AFL-CIO, with 13.7 million members, is going all out to find new voters to support candidates it favors.

"We stand at the beginning of a crucial election campaign," says AFL-CIO President Lane Kirkland. "What we do or what we fail to do from now until November 6 will largely determine where America is going for the remainder of this century. Between now and then, our movement has no higher priority than to make sure that our members understand the urgency of the choice before them and turn out to vote in unprecedented numbers."

David M. Staton, manager of the U.S. Chamber of Commerce political action department, says that "organized labor still is the No. 1 factor in elections because of its ability to deliver votes."

The AFL-CIO calculates that there are 30 million people in its "family," counting workers, spouses and voting-age children. It wants to raise from 60 to 80 the percentage of those registered. That would be 6 million potential new voters.

They would not all vote for the AFL-CIO's candidates; in 1980, nearly half the union members who voted cast their ballots for President Reagan. Kirkland says, however, that "if we get 65 percent this year—and I think that's an achievable target—our candidates will usually win."

He admits that "the fact that we have to get that high a majority from trade union members is some indication that there's a rather conservative bias in the rest of the population that we have to offset."

Some independent unions are not falling in line with the AFL-CIO. The 1.9 million-member Teamsters union has endorsed the Reagan-Bush ticket in the presidential race.

Unions have had a declining success rate in recent years in electing candidates for the Senate and House and for governorships. In 1976, 71 percent of union-backed candidates won. The rate fell to 66 percent in 1978 and 59 percent in 1980 before rising to 64 percent in 1982. That is one reason labor considers a larger union turnout important.

Some voter registration drives have had unexpected results. A recent Gallup poll, conducted for the Joint Center for Political Studies, showed that the newly registered voters interviewed were more inclined to vote Republican than those registered earlier. More new white voters supported Reagan than did voters already registered, and young blacks—signed up mostly at churches, shopping centers and other nontraditional registration places—were less favorable to Walter Mondale than were older blacks.

With so much activity evident on behalf of parties and special interest groups, business people this year have devoted more attention to voter registration than in the past.

A PROMINENT business effort has been the "Free Enterprise" campaign of the U.S. Chamber and its members across the country.

"Business has traditionally been short on turning out the vote," says James L. Mason, vice president for public affairs of Cleveland's Eaton Corporation, which has plants in 27 states and whose political action committee normally supports more than 100 candidates in 35 to 40 states. "We're trying to do something about that in our company, and the Chamber is certainly showing the way."

Says the Chamber's Staton: "Our natural objective in business is to get people into the store to buy our product. We have to realize that for turnout

at elections, that store is open only one day."

"This is a hard-core effort to get people involved," says Jim Carpenter, vice president of the Greater Charlotte (N.C.) Chamber of Commerce. "We are making a greater effort than in past years because we now realize the importance of turning out the pro-business vote."

"We are trying to increase people's awareness of what political involvement means," says Rick Berman, senior vice president of S&A Restaurant Corporation in Dallas. "Not just the idea that voting is good citizenship, but also the realization of how close some elections have been, how much the business vote can mean."

Berman notes that the 12 closest House races in 1982 were decided by a total of 30,000 votes—an average of 2,500 per race.

WITH THAT KIND of margin in mind, business people have been shocked by Census Bureau figures on how certain groups voted—and did not vote—in the 1982 congressional elections. For each group, the first figure shows the percentage that failed to vote; the second figure shows the percentage not even registered.

- Managers and administrators—40 and 25.
- Professional and technical—36 and 22.
- Sales workers (including agents and brokers in real estate, insurance, and stocks and bonds)—45 and 30.
- Self-employed—43 and 28.

These four groups comprise 42.9 million white-collar workers. The millions of nonvoters among them are the target of business' register-and-vote drive.

The U.S. Chamber has distributed more than 500,000 "promissory vote" forms to local chambers of commerce and businesses that requested them. These forms, which pledge the signers to register and to vote for pro-business candidates, have been reprinted in many organizations' newsletters. The U.S. Chamber has also sent 10,000 wall posters, 7,000 copies of a voter registration guide for employers and 200,000 payroll inserts, which have also been widely reproduced by corporations and local and state chambers.

Patrick Gibbons, president of Berz Ambulance Service in Chicago, ordered 100 "promissory vote" forms to give to employes and business associates. The York, Pa., chamber printed the form in its newsletter.

In Dallas, S&A sent 1,000 copies of its own registration form to managers

PHOTOS: T. MICHAEL KEZA

"America, Your Vote Counts," say posters distributed by the U.S. Chamber along with films and "promissory vote" forms.

at its 350 Steak & Ale and Bennigan's restaurants in 33 states. The form asks, "Do you want more or less government? You've got a choice in 1984." It urges the recipient not only to pledge to register and vote but to send in the names of five other persons he or she has gotten to register.

The Glendale, Ariz., chamber has been operating a voter registration table at its semimonthly meetings. The table is staffed by chamber members who have gotten themselves named deputy registrars. They are competing for a prize—a weekend in San Diego—offered by the top county elections official to the registrar who signs up the most persons.

The Greater Canton (Ohio) Chamber of Commerce reproduced the "promissory vote" form in its July newsletter. In September it reminded its 1,800 readers of registration deadlines. It has shown the U.S. Chamber film "For Want of a Vote" to more than a dozen groups.

In Missoula, Mont., the chamber of commerce not only mailed "promissory vote" forms to its 850 members but will mail cards several days before the election reminding signers of their pledge to vote.

It is also distributing voter registration cards. "Montana is an easy state to register in," explains chamber executive David Owen. "Anybody who is a registered voter can sign up anybody else. They just both sign the card."

In Charleston, Ill., the local chamber coupled the "promissory vote" with a separate report on the just-completed session of the state legislature, including a summary of each member's voting. It will stage a candidates' forum this month. Before the election it will publish a booklet listing candidate responses to business questions.

That kind of activity by business people is being repeated in hundreds of communities across the country this fall. That such an effort is needed in the face of the massive get-out-the-vote campaigns by groups holding different views is clear, says U.S. Chamber Chairman Van P. Smith.

"Those of us who understand the strength and vitality of the free market cannot abandon the debate to others," he says. "For if we do not speak out on behalf of economic growth and economic liberty, who will?"

—Harry Bacas

Signing a "promissory vote" pledges one to vote for candidates who support free enterprise principles and conservative government.

Selling to the Japanese

To get the most from a rich market here and in Japan, you must master an intricate code of behavior.

By Tai K. Oh

AN AMERICAN used to a direct business style can be frustrated by Japanese executives who say "yes" and mean "maybe" or say "maybe" and mean "no."

The stereotype of the inscrutable Japanese has some basis in fact, and many American executives who want to sell their products and services to Japanese firms, here and in Japan, misunderstand the protocol and misread the signals—and thereby fail to make the sale.

Consider what is involved:

- You must show humility in your approach and establish personal relationships.
- You must demonstrate intimate knowledge of the buyer's business before you even begin to talk about how your firm can meet his needs.
- You may have to wait a seemingly interminable time, by American standards, for an unwritten, legally unenforceable "contract."

And why put yourself through all that? For good reason. The Japanese firms doing business on American soil represent opportunity for U.S. suppliers. Japan's direct investment in the United States has been increasing rapidly. It had reached $4.2 billion by the end of 1980 (the most recent figure available), and more than 1,500 Japanese firms, including 250 manufacturers, had established operations here. These firms need tools, office equipment, services of all sorts. And they are willing to buy American. A 1982 Japan External Trade Organization survey of 190 Japanese manufacturers in the United States showed that nearly half made over 70 percent of their purchases here.

It is an expanding market, and enterprising sales executives are pursuing it eagerly. But U.S. vendors could do better—if they used the right strategy.

The Japanese expect more from their business relationships than Americans usually do. They consider deep, long-lasting personal relationships an even more basic requirement than low prices, punctual delivery of goods and services, and volume discounts. To develop this kind of relationship requires time and a basic understanding of Japan and the Japanese.

Japanese business relationships are broadly based rather than narrowly focused on a single product line. The Japanese expect a seller who approaches them to be knowledgeable about their products, reputation, personnel, competitors and objectives. They are interested in learning the same things about the seller.

The U.S. sales executive who hopes to establish business relationships with Japanese firms must invest considerable energy and effort in learning all those things about his prospective clients. He should make it his goal to know more than his competitors do.

This wide-ranging knowledge helps gain the approval of the Japanese, and it has the added advantage of giving a clear picture of the sales possibilities and limitations in the relationship. Among the many sources of this kind of information are Japanese banks in the United States and, in a few major cities, the Japanese Chamber of Commerce, the Japan Society and the Japan Trade Center.

Making the first approach correctly is important, and selecting the right executive is the first step. An experienced person, conservatively dressed, has the best chance.

Next, identify the manager who would be purchasing your product. Establish credibility beforehand by obtaining proper introductions from respected friends of the firm—other suppliers, customers or banks. Making the first contact in person is essential.

JAPANESE EXECUTIVES offer these helpful hints on getting a relationship established:

- Allow plenty of time for your contacts, and focus on your client's needs and interests rather than on your own product position. Offer assistance even in areas not directly related to your product. After hours, take your prospect out to dinner or to the golf course. Find ways to be helpful on a personal level—for example, give your client tips about America and Americans or help him find appropriate housing and schools for his children.
- Make it your primary strategy to sell yourself (your personality, education, family background and professional experience) and your company (its reputation, history and activities), even if you represent a large, well-known firm. When your Japanese prospect is satisfied that he has met an individual and firm he would like to deal with, he will be ready to hear about your product or service.
- Approach your prospect cautiously. "Decisive" sales behavior is a liability when dealing with the Japanese. Never pressure your Japanese prospect. Instead, encourage a gradual shift in sentiment.

Once an actual sales proposal has been presented, the Japanese decision-making process is ready to begin. Taking the pro-

Business relationships with the Japanese must develop slowly and according to elaborate rules.

TAI K. OH, *professor of management at California State University at Fullerton, was educated in Japan as well as in the United States. An expert on Japanese management, he is a consultant to several major Japanese and American corporations.*

posal as a starting point, the Japanese usually develop a proposal of their own. They can be expected to ask many questions, even in areas that are not directly related to the product for sale, such as competition, technological change, personnel changes, strategies and technical data.

At this point, their primary objective is to develop harmony rather than to discuss specific points in detail and confront concrete issues. They are willing to take all the time they need to gather information and reach a consensus. American sales executives should not despair: Japanese executives can cite numerous examples of Americans who became discouraged at this point in their negotiations and gave up, losing valuable business opportunities.

DURING THE LONG process of consideration, a sales proposal typically makes a circuitous journey through the various departments and levels of a Japanese firm. Usually it begins among lower-level managers, then circulates among other units that are directly or indirectly affected. When a consensus has been reached, it goes to senior managers for approval. This may take as long as two years.

Although the length of the Japanese decision-making process is a major source of frustration, there is a payoff when the agreement goes into effect. Agreements that have been made quickly often founder because of unforeseen complications, but the Japanese have usually thought everything through so thoroughly that they are prepared to handle whatever comes their way.

Communicating with Japanese executives requires understanding and adaptability on the part of the seller. The Japanese have not developed much ability to deal with social situations outside their own homogeneous culture, so their behavior appears inscrutable and often unfriendly to outsiders.

One basic fact American business people need to know is that Japanese social etiquette comes in two basic patterns: behavior toward superiors and behavior toward inferiors. The Japanese find it hard to accept the egalitarian nature of so many American business relationships. In their system, buyers have superior rank and status and tend to suspect sellers of offering exaggerated levels of service and quality at inflated prices; sellers are expected to maintain a humble posture. Americans who want to sell to the Japanese need to be aware of this distinction. They should display this attitude: "I am willing to do somersaults for my Japanese customers."

Moreover, the Japanese seek harmony. This rules out the clear expression of negative ideas. Instead of saying no, a Japanese who wants to refuse something will probably say "I will consider it" or "I will think about it." Complaints are never expressed openly: A Japanese must be allowed to save face when found in error. If a problem surfaces, discussion takes place privately over a drink, and it is never mentioned afterward.

Positive responses can also be hard to read. Expressionless faces do not necessarily indicate lack of interest, and seemingly positive responses may actually be ambivalent. "Yes, yes" usually means no more than "I understand your position," and a nodding head merely says "Yes, I am listening."

AMONG JAPANESE business people, the preferred outcome of negotiations is what might be called a gentlemen's agreement, rather than a formal, Western-style contract. One major Japanese home appliance manufacturer has not had a standard contract with its U.S. suppliers since it set up operations in this country over 10 years ago.

A gentlemen's agreement is little more than a loosely worded statement expressing the mutual cooperation and trust that have developed between the negotiating parties. This may sound uncomfortably vague and weak, but such an agreement has its strengths. It allows a great deal of flexibility in the solution of unforeseen problems: The friendly, cooperative relationship between the parties often leads to better solutions than the detailed prescriptions of a standard contract.

Would this kind of agreement be unenforceable? For the Japanese, the dishonor of breaking a gentlemen's agreement poses a far greater threat than legal action.

In Japan, such agreements are relatively simple to conclude because everyone understands the premises, but in a heterogeneous society like the United States, the parties on both sides at a negotiation may feel safer with the predictable relationships that standard contracts provide. Before seeking to negotiate a gentlemen's agreement with a Japanese client, American sales executives should be sure that they share the Japanese understanding of just what such an agreement entails.

With a basic knowledge of how the Japanese do business, U.S. sellers can feel more comfortable adapting their products, services and approaches to the needs of their Japanese customers.

To order reprints of this article, see page 81.

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The Paper Pothole For Business Autos

You will have to keep elaborate records to write off car expenses. There may be a way out.

THE TAX REFORM ACT of 1984 imposes stiff new recordkeeping requirements to substantiate auto expense deduction claims, but a closed-end, full-service lease could make meeting those requirements easier.

That is the view of Walter L. Lovenduski, vice president and general manager of the Hertz Corporation's car leasing division in Parsippany, N.J.

Such a lease, which is for a fixed period and includes maintenance and repairs, "is the safest option for a corporation" if a car is provided as an employe benefit, says Lovenduski.

Recordkeeping then becomes the responsibility of the employe, but his job is easier than if he bought a car, or if the lease arrangement did not cover service and maintenance. In those cases, special records must be kept for all expenses so they can be allocated for tax purposes according to business and nonbusiness use.

The new tax law, aimed at raising about $50 billion through fiscal 1987, tightens the rules on automobile deductions and limits the deductions that can be taken for cars that cost more than $16,000. New limitations on how the investment tax credit and depreciation are computed apply to cars placed in service after last June 18. The new recordkeeping rules apply starting next January 1, and they will cover all cars used in business—not just those acquired since June. (See For Your Tax File, page 9.)

Business people wishing to claim the deduction must now keep daily records of business use of the auto. No deductions will be allowed unless the records are maintained; in fact, a negligence penalty could be imposed if they are not.

Tax benefits are reduced proportionately if a car is for personal as well as business use. The Internal Revenue Service defines personal use to include commuting as well as pleasure trips.

Although those provisions affect autos that are owned, Glenn Mackles, tax manager at Touche Ross & Co.'s Washington office, says similar treatment is expected for leased autos. The IRS is expected to issue tables shortly outlining how much in rental payments may be deducted. The tables are eagerly awaited by both fleet operators and car leasing companies.

Mackles says the advantages of leasing could well be reduced by the tables. Previously, he notes, you could simply deduct the payment to the lessor. Now the specific breakdown of business and personal use will be required, and the limit on the maximum amount that can be deducted for luxury cars may have effects not yet clear.

Under the rules for owned autos, the investment tax credit for cars that cost over $16,000 will be limited to $1,000. In addition, instead of depreciating vehicles over a three-year period as under the previous law, there is a fixed formula of $4,000 in the first year of use and $6,000 in each succeeding year. Thus, an auto costing $22,000 will be written off over four years ($4,000-$6,000-$6,000-$6,000).

(Independent leasing companies like Hertz are exempted from the $16,000 ceiling that triggers the reduced write-off, Lovenduski notes. But employes who buy vehicles and then lease them back to their companies are not exempted.)

Mackles wonders what will happen if the IRS limit means a total rental payment cannot be deducted. For example, if you pay $5,000 rent and can deduct only $4,000, is the $1,000 balance lost as a deduction? Is it carried over? Mackles says it probably will be lost.

THE RECORDKEEPING requirements, Mackles says, are tough enough for individuals, but for fleet operators they are a "nightmare."

One corporate client told him that it must add several full-time employes to handle the requirements for its 2,000-car leased fleet.

But Hertz's Lovenduski says the closed-end, full-service lease makes things easier for fleet customers since it eliminates the need to keep track of maintenance and repairs and allocate them according to personal and business use. Under such a lease, these services are included in the monthly payment.

"If you don't want to keep all of these records but you still want to live by the letter of the law," he says, "then the closed-end, full-service lease is for you."

The recordkeeping requirements raise another question, Lovenduski says, since it is "practically impossible to make sure that all drivers in the fleet are keeping detailed records." The question: What happens if one driver in the fleet fails to keep the daily log? Is the deduction lost and penalty assessed only on that vehicle? Or does the entire fleet lose the deduction?

Presumably, the IRS tables will clarify that point, as well as others. On the other hand, the new rules could be—like many such rules in the past—only the opening round in a long struggle over just what Congress really intended to do.

—Bob Gatty

PHOTO: T. MICHAEL KEZA

If the prospect of keeping extensive records of auto expenses concerns you, auto leasing may help reduce the amount of recordkeeping an employe must do.


Hertz

Hunting For The Bucks

The woods are full of money sources for entrepreneurs. But how do you get the right game in your sights?

PHOTO: ELIZABETH MARSHALL—LIAISON

Carole Hires started her home health care business with a bank line of credit. Other financing sources available to her were venture capital and an SBA loan.

GRATEFUL FOR any start-up money they can get, entrepreneurs may take the first offer that comes along. Carole Hires resisted that temptation. In September, 1983, Hires and two partners—Bea McHugh and Mary Ellen Gaffney—decided to start their own home health care business.

She and her partners had 20 years of nursing experience among them. Hires, who had been a manager of a home health firm and knew the ins and outs of caring for invalids and convalescents at home, put together a detailed business plan.

The next step was financing. "Two venture capitalists wanted to seed us, but they asked for 60 percent ownership," Hires says. The price was too high. "I know the kind of work that you have to put into a new venture to get it rolling and felt it would be self-defeating if I accepted their offer."

Hires then went to the Small Business Administration and was approved for an SBA loan. But again she refused the money. "They were going to give us a lump-sum $75,000 to $100,000, and I really wanted a line of credit—which I knew to be the most economical path."

The third capital source on the partners' list was banks. "Some of the bankers looked at us like we were crazy," Hires says, "since we had never been in business before and would take only one kind of financing."

But Horizon Bank (with assets of $1.2 billion) saw their potential and granted them a $130,000 line of credit. Morris Home Care of Morristown, N.J., was born last January 1. Hires says billings this year could be as high as $1 million.

Despite the experience of Hires and her partners, banks as financing sources are not particularly amenable to start-ups.

Donald Rappaport, national director of smaller business services for the accounting firm of Price Waterhouse, describes how investors and lenders assess the start-up business:

"Start-ups are untested and have limited ability to attract funds given the obvious risks," he says. "Seed money, in the form of risk equity capital, is required. Start-ups have little capacity to survive debt and even less to offer in terms of assets for security. Sources must perceive that the business concept is good and that the right mix of elements is present to make the business viable in the foreseeable future."

ALTHOUGH SOME entrepreneurs like Hires may reject venture capital because they cannot tolerate relinquishing a large percentage of ownership, most think venture capital is synonymous with start-up financing. But that is an illusion for the most part, says Robert F. Lafond, head of emerging business services for Coopers & Lybrand, one of many accounting firms that help start-ups secure capital.

"Many venture capitalists do not want to invest in ideas; they want something more concrete," he says. "The exceptions are entrepreneurs who have started four or five businesses before. For them it's a snap to get venture capital."

David T. Thompson, national coordinator for venture financing with the accounting firm of Deloitte Haskins & Sells, enumerates some reasons why venture capitalists may turn down a start-up:

- Few, if any, hard assets to liquidate if the company fails.
- Low product-development costs that create an "easy access" industry where start-ups, developing companies and industry giants are all competing for market segments, spelling potential market instability.
- Rapidly changing technology that makes the already thin line between innovation and obsolescence almost imperceptible.
- A hard-to-sell product, with few customers who can distinguish between a good product and a better one.

For fledgling entrepreneurs, what capital routes are open to make their ideas come alive?

A sizable number of firms start out with personal savings as their exclusive source of funds. And personal savings in combination with other sources play a major role in many more cases.

Bootstrap financing can include a second mortgage on the house, a personal bank loan or the savings of friends and relatives.

But bootstrap financing can be more sophisticated, says Thompson.

"One of our software clients needed cash to get through an extended period of primary product development," he

explains. "To generate it, they created an unrelated quickie software product that was inexpensive and easy to produce. They marketed it through small ads in specialty computer magazines, and it produced enough cash flow to allow the company to develop its primary product."

If you want to try banks, keep in mind that most banks will advance money to start-ups—and then grudgingly—only if the entrepreneur has hard assets to collateralize a loan, like standardized machinery that a bank could turn around and sell very easily elsewhere, or a track record involving business ownership. And banks will grant loans guaranteed through the Small Business Administration.

Although the stock market is not nearly as receptive as it was a year ago to initial public offerings, start-up firms that are seeking $1.5 million or more should not rule them out, says Shirley Dahl, partner in Price Waterhouse's entrepreneurial services group. "Entrepreneurs don't have to repay the funds and typically have the opportunity to raise more money than if they were trying to raise debt or other kinds of equity funding," she explains.

PHOTO: PIERRE KOPP—WEST LIGHT

Price Waterhouse's Shirley Dahl says start-ups might consider an initial public offering.

But there are disadvantages as well. "Being a public company means a lot of reporting requirements to contend with," Dahl says. "And an entrepreneur doesn't have as much flexibility in terms of some of the types of transactions he might enter into."

Private placements for "a few hundred thousand dollars" or more offer another avenue of financing, says Dahl. They involve sales of securities directly to investors without underwriting intermediaries. Investors will generally be a combination of three types: institutional, sophisticated individuals and foreign.

"Private placements tend to be more expensive in terms of percentage of ownership given up than public offerings," Dahl comments. But they can be cheaper than public offerings, she says, because there are no printing charges for prospectuses.

Joint ventures—business partnerships formed for specific projects—can provide the capital or services needed to get a business rolling by making cash advances or loans, carrying inventory or providing a marketing or distribution system. Financial consultants advise entrepreneurs to look for logical partners—a computer hardware firm that needs software products, for example.

But Deloitte Haskins' Thompson cautions that "it's hard to get in the door of an established company, which will have numerous other priorities. And within the various management layers, it is often difficult to find the right person to sell your idea to—one who can run interference for you. You've got to have a champion. Without one, you'll go nowhere."

An R&D limited partnership can offer an attractive capital source to start-up firms, allowing them to (1) retain control over product development, (2) avoid the ownership dilution of straight equity financing, and (3) have the right to acquire the successful technology from the investor.

The investor's role, meanwhile, is a passive one; simply to provide capital in exchange for tax benefits and the rights to the technology developed. According to Thompson, the investors "hire the start-up on a best-efforts basis—no results guaranteed." Through prior agreement, when the R&D work is completed, the start-up can exercise its option to acquire the rights to the technology from the partnership.

Unfortunately, Dahl warns, new tax laws are making R&D partnerships less attractive to investors than in the past. "Under old write-off rules, investors could get as much as $3 or $6 for $1," she notes. "Now investors are limited to just the cash they put into the venture."

Leasing is another outlet for start-ups. Entrepreneurs in capital-intensive start-ups like the manufacture of semiconductors, which involves big upfront costs, can get a lease line and warrants and not have to give away the store through equity financing. Lessors, however, may demand warrants that allow them to buy stock in the company later.

States are also offering sustenance to entrepreneurs. The Massachusetts Community Development Finance Corporation, a state-financed venture capital firm, provides funds to start-up ventures and existing businesses.

Federal loans are available, too. The small business innovation research program, set up under the 1982 Small Business Innovation Development Act, requires that all federal agencies with R&D budgets of more than $100 million set aside a gradually increasing percentage of those budgets for distribution among small science-based or technology-oriented companies. A total of $1.4 billion has been allotted for this program, to be distributed in full by 1987.

Then there is the Small Business Administration, with its guaranteed and direct loan programs. The SBA's national advisory council is trying to expand access to equity capital financing. It has proposed permitting commercial banks to establish a restricted fund, in an amount not to exceed 5 percent of the bank's capital, to be used exclusively to invest in small businesses at the start-up stage and beyond.

Consultants stress that unlocking the door to the myriad financing mechanisms demands a master key—the right business plan. Their advice to entrepreneurs is to keep plans concise and free of technical jargon and to be sure to include marketing strategies.

Entrepreneurs must give themselves enough leeway in terms of time and capitalization, the experts add. They must understand that a product or service cannot be launched in a day or on a shoestring.

But sometimes even this attention to detail is not enough. Says David Clements, director of the high tech industry program at Arthur Andersen & Company: "There will always be those business plans that never find funds. Either they're just not good enough or the idea has already been done."

However, experts agree, if you have an idea for a business, you probably owe it to yourself to see if it will fly. There are many routes to the capital you need. Nothing ventured, nothing gained.

—Mary-Margaret Wantuck

To order reprints of this article, see page 81.

Software That Improves Managers

Personnel decisions may come easier when you have this kind of impartial adviser.

By Mike Lewis

SOMETIMES, Pat Raffee has learned, you can get the most out of an employe by talking things over—with a computer. "It seems curious to learn interpersonal relations through a machine," she says. "But it works."

Raffee, a consultant, uses computer software to help companies train their salespeople. She had not thought software could help her manage more efficiently until she got a new computer software product called the Management Edge.

A part-time employe in her Newport Beach, Calif., firm, the Raffee Company, was becoming undependable, and "my nervousness was rising as her dependability was lowering," says Raffee, who had a large new contract and needed the employe.

"I don't mind confrontation myself," Raffee says, "and I train managers in confronting directly to boost sales results." That wasn't working with her employe. The Management Edge program asked Raffee a series of questions to be answered with a yes or no. Then it asked her for a few adjectives to describe the employe.

What the program then gave Raffee was a detailed 8¼-page printout that told her what kind of manager she was and what kind of employe she had, and suggested ways of handling the discipline problem—from the tone of voice Raffee should use to the kind of approach she should take.

For this employe, the program said, "a subtle word will have as much impact as direct discipline." Raffee sat down with the employe and explained her concern about the new project, saying she needed the employe to be dependable. The employe agreed and has been fine since.

To help clients train salespeople, Raffee had been using the Sales Edge from Human Edge Software Corporation, the same company that created the Management Edge. Clients are happy with it for the same reason Raffee liked the Management Edge: "It is a very simple input for a precise and useful output."

Testimonials for computerized programs aimed at increasing individuals' productivity are becoming common in the business world as more companies augment training with software.

In the past, training programs were designed for mainframe computers and often cost $3,000 or more. Suddenly the personal computer has made possible software offering similar training for much less.

Thoughtware, Inc., of Coconut Grove, Fla., offers a line of programs that cost about $450 apiece. The programs carry titles like "Leading Effectively" and "Managing Time Effectively." Thoughtware products pose a number of questions, asking a manager how he rates himself in several areas relevant to the subject.

The manager can compare his own ratings with similar self-ratings by a national sample of managers. Because managers tend to rate themselves higher than do the people working for them, Thoughtware programs include a way for subordinates to rate the manager, who can compare those ratings with a national sample. The packages then recommend procedures for improving the manager's efficiency.

Although most managers cannot pinpoint measurable gains in productivity from using the various software packages, most are enthusiastic about the help they have gotten.

Doug Raynor, assistant director of management development at New York University Medical Center, says he was "computer ignorant" until he decided to use a computer program as part of a six-week course for the hospital's department heads and support staff division managers.

As a management expert, Raynor says, "I thought the only way to deal with interpersonal problems was interpersonally." His experience in the course changed his mind.

RAYNOR USED the Management Diagnostic Series from Thoughtware. Managers could enter answers to questions about their management style, and the computer program told them where their weaknesses were. Raynor coupled the computer diagnosis with evaluations of the managers by their subordinates. The results were surprising.

"One manager, who thought he was getting high participation from his department, found out both from the Thoughtware diagnosis and from his subordinates' evaluation that he was not," says Raynor. "As a result, he initiated more sessions to gather views on issues. Although some supervisors objected because they said they were being forced to go to a meeting and participate in something in which they had

PHOTO: KEN TOUCHTON

Computer buff Bob Levitt heads the human resources department of a Washington, D.C., utility. He used software to help reform the company's management style.

no interest, we have since worked with these people and are getting participation.

"Best of all, one of the managers in that department was cited for efficiency in his operation. There have been promotions in that department as a result of the course."

What Raynor has learned, he says, is the value of an impartial diagnosis from the software. "You can have a lot of responses to personal criticism," he says. "But you can hardly argue with the personal feedback from the computer program because you input the information yourself. I've become a lot more open to its use."

The Concourse Corporation of Bloomington, Minn., is a management training firm that has held seminars for a long time and now uses computer software to teach management techniques. Concourse's product line covers such areas as participative management skills, customer interaction skills and management risk.

Dick Unger, Concourse's vice president for sales and marketing, says that training by computer will never eliminate management seminars but will complement them instead. His firm's software, he says, answers the questions of what is to be done with a person who is hired several months before the next seminar and what is to be done after a seminar to follow up on lessons and assist in strengthening weaknesses identified in a seminar.

Managers and supervisors told Concourse market researchers that training in management and supervisory skills is the biggest unmet need in business. To help meet that need, Concourse plans to increase its computer-based training to 17 skills areas, with programs costing about $250 each.

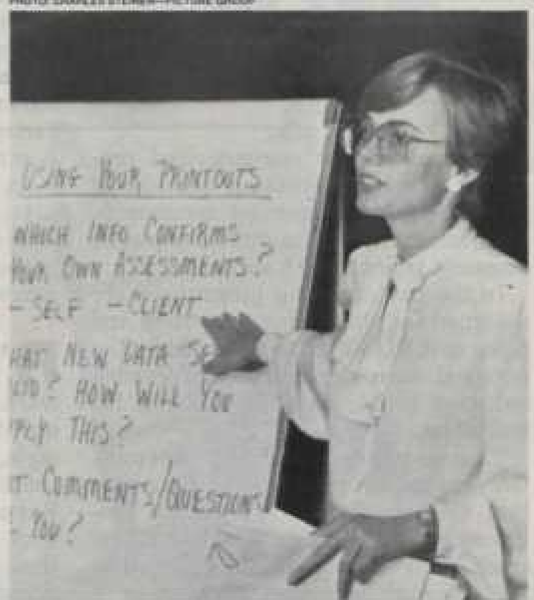
"One of the advantages of the computer," Unger says, "is that you can make it [the actual training] so personalized, whereas in a seminar you're dependent on the skill of the leader" to apply lesson materials to each person's needs.

Concourse, with its background in seminars, markets its software packages through training distributors, rather than through computer retailers.

Market research indicates that only about 14 percent of training departments in American businesses are using computer-based programs, Unger says.

One survey of managers suggests sales of off-the-shelf training software for personal computers will jump from $15 million last year to $88 million in 1987.

PHOTO: CHARLES STEINER—PICTURE GROUP



A management program gave Pat Raffee useful advice about how to handle a personnel problem.

Human Edge Software Corporation expects to account for $34 million of the 1987 sales, says President James H. Johnson. Johnson, a psychologist, founded the Palo Alto, Calif., company last year.

Johnson draws a sharp line between the products of companies like Thoughtware and Concourse and his own line of packages, which includes the Sales Edge and the Management Edge—the ones Raffee uses—as well as the Negotiation Edge and the Communication Edge, ranging in price from $195 to $295.

Human Edge software differs from others in that it uses "expert systems modeling," Johnson says. Instead of offering a menu of choices to the user, expert systems modeling takes information from a user and comes up with specific recommendations for a particular problem.

Such programs have been developed as software companies work toward developing artificial intelligence, the as-yet-unrealized dream of software so powerful that it allows a computer to solve problems by imitating human reasoning. Human Edge calls its products "business strategy software."

The Sales Edge asks a salesperson to describe himself, his prospect and the situation. The program then suggests a sales approach in keeping with the personalities and situation. But the Sales Edge, like all other programs, is only as good as the information a user gives it.

Johnson says it costs more than $500,000 to develop an individual program. Development requires the participation of business experts, behavioral scientists, technical writers, systems analysts and programmers. The result, Johnson says, is an action plan tailored to a specific situation and spelled out step by step. The company plans to put less emphasis on personality and more on business strategy when it introduces products next year for marketing and for corporate planning.

Unlike most other companies in this field, Human Edge is strictly a software provider. It regards its programs as management tools. Others are training companies and provide—at extra cost—training materials to help business people carry out their suggestions.

Most software companies boast of their customer demographics. Human Edge says 60 percent of its customers are presidents or chief executive officers of small and medium-sized businesses.

Johnson, 43, a former IBM salesman who became a psychology professor and later headed Psych Systems, Inc., a Baltimore-based company offering computerized diagnostic systems to psychologists and psychiatrists, says he got into this field as "a kid from Iowa learning about strategizing." Yes, he says, at Human Edge "everybody in the company uses them [the programs] on each other in terms of management."

"We think in general the area of management development is an area of great potential that has been underexploited," says Harvey Poppel, a senior vice president at Booz, Allen & Hamilton, Inc., the New York-based technical and manufacturing consulting firm.

"More impressive products will come out as videodisks are linked to computers," he says. That will enable business people to see brief dramatizations that illustrate the choices the program offers.

THE IDEAL customer for a publisher of training software would have Bob Levitt's background. Levitt is head of the human resources department at Washington Gas Light Company, the natural gas utility in the nation's capital. "I've been a computer buff since 1966," says Levitt, "so I've had my eye on this for a long time."

Seeing the various software products as complementary pieces of the training puzzle, Levitt uses Concourse and Thoughtware programs in basic training courses for his 3,000-employe company's division directors and vice presidents. The programs emphasize participative management and entrepreneurial attitudes "that are directly the opposite of the old management philosophy here, which was based on authority," Levitt says.

After an executive has been trained through those programs, he may go on to Human Edge programs, which, Levitt says, focus on techniques.

The result, he says, is that "you put together your own program," aimed at your own company's objectives.

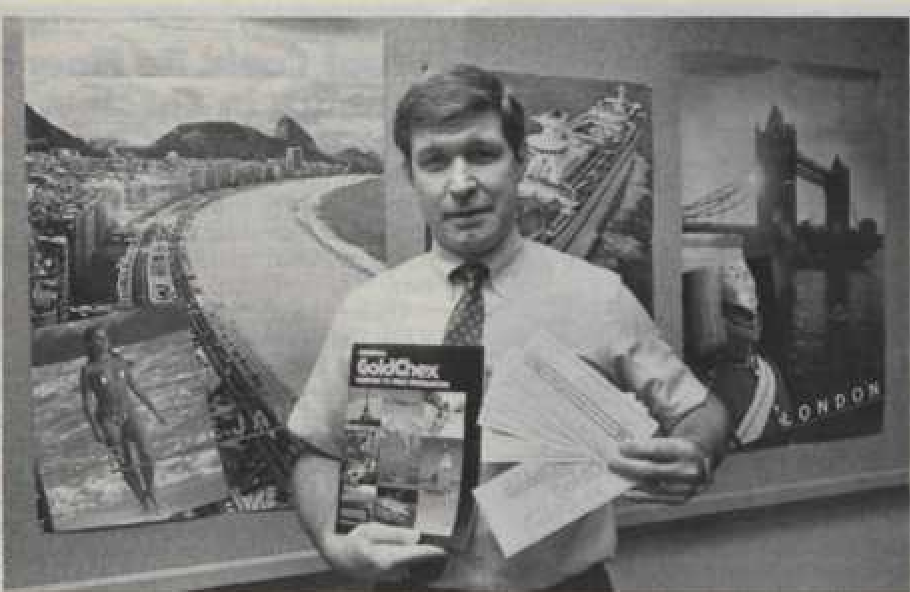


PHOTO: JAY MATHER—BLACK STAR

With Rick Barlow's GoldChex, a company can offer travel incentives that are tailored to the preferences of the employes, distributors or dealers who win them.

For the Winners: Freedom of Choice

YOU ARE A SALESMAN with an electronics company and have scored in the top 1 percent of your division for total sales made. As a reward, your firm is giving you a week's paid vacation at a popular tourist resort. Just you and your wife.

And 50 other salespeople and their spouses. And the boss and his wife. Seven days and nights at the same hotel, eating the same meals at the same time. No chance for privacy or diversion—a travel straitjacket.

Or suppose you are a distributor servicing several large competing corporations. One firm offers you a trip to London. But you have been there three times already, courtesy of the other companies. So you decide to send your dentist in lieu of paying his bill. Other distributors, in the same boat, send their relatives and friends. The sponsoring corporation ends up entertaining a bunch of strangers and wasting money.

Business spends $11 billion annually on noncash incentives; $1.1 billion of that goes to travel programs. But often these programs have been unimaginative and repetitious, leaving employes disgruntled and negating companies' efforts to spur productivity.

Enter Rick Barlow, 39, a Chicago native who, after working for American Express, opened Cincinnati branches for two major incentive companies. Barlow came to the conclusion that the traditional incentives of merchandise meant "people filling their homes with junk," while group travel and weekend resort packages were either "too expensive or inflexible."

One day it occurred to him, he says, that "if I could use travel like a merchandise award but in a different and looser format, reaching a large audience and giving winners control over where they could go, when and for how long, I'd be rich."

Barlow founded Original Incentives in Cincinnati in 1981 and the next year introduced his brainchild, GoldChex, for companies that rely on noncash incentives for employes, distributors and dealers. Issued in denominations of $25 and $50, GoldChex certificates work like travelers checks to pay guest bills at more than 150 resorts and hotels worldwide. They are also good for air fares, cruises and tours in this country, Mexico, the Caribbean, Bermuda, Europe and the Orient. They can buy exotic yacht trips, travel photography lessons—even investment seminars.

A corporate client will buy a certain number of GoldChex certificates, paying a service fee of 3 to 5 percent, depending on the size of the purchase. The client sends the names and addresses of its winners to Original Incentives, which prints the checks and mails them to the winners' homes together with a vacation catalog. The checks are good for three years and if lost or stolen are fully replaceable.

Hotels and resorts that are part of the GoldChex system send in the used checks for redemption minus a service fee based on how much exposure they receive in the catalog.

Barlow says the program gives his 200 client companies freedom from responsibility. Clients simply pay for the certificates, close the books and walk away without any liability or the headache of administering group travel arrangements, he explains.

GoldChex sales jumped from less than $300,000 in 1982 to $2 million in 1983. This year, sales are expected to top $10 million, and some incentive-industry competitors have begun their own versions. Such mimicry delights Barlow. "When the established giants come out with copies of a relatively unknown product, it reinforces the fact that this must be a solid concept," he says.

"GoldChex can't miss. There is a vast travel incentive market out there, and I know how to sell incentives, have solid contacts within the industry and have a super team of 35 employes."

One of Barlow's long-term goals is starting a venture capital fund for others who might want to try their hand at travel incentives.

But his short-term game plan is simple: "I want to take this company public and get rich."

—Mary-Margaret Wantuck

Making His Fortune Again and Again

When he was a child in the slums of Boston, Sheldon G. Adelson dreamt of owning the strip of stores on his street when he grew up. That way he could go from shop to shop, choosing whatever items he wanted and never having to pay for them—candy, pastry, pickles and even a haircut or bicycle.

When he did grow up, he studied corporate finance at City College in New York and began a career that took him into corporate financial consulting and real estate. He did so well that by the mid-1960s, he was a venture capitalist with investments in 75 companies. Their variety—from pet stores to nuclear energy—was reminiscent of the stores of his childhood.

"Unquestionably, I had fulfilled the fantasy," he says. But when the stock market slid in 1969, he lost his first fortune.

So what did he do? "I turned around, went right to work and started again."


PHOTO: T. MICHAEL KEZA

Sheldon Adelson says he plans to hang on to his third fortune. He is the founder of the Interface Group, a company that sponsors 40 computer trade shows a year.

He returned to real estate brokerage—"a field I found very easy"—and that led him, in the early '70s, to doing condominium conversions for a firm with thousands of apartments. It was his sole client. "I put all my eggs in that basket," he says. But as interest rates climbed and cash dried up, his client went under, and Adelson could not recover his investment. Except for one building that he bought to convert on his own, he had lost a second fortune.

Now he is a millionaire again, the founder and president of the Interface Group, Inc., a Needham, Mass., firm that produces nearly 40 conferences and expositions a year for the computer industry. One annual event, Comdex/Fall, brings in \$20 million and is billed as the world's largest computer show. The 1984 exposition next month in Las Vegas is expected to lure more than 90,000 attendees and 1,400 exhibitors.

The Interface Group also owns GWV Travel Company, a tour operating firm with offices in Washington, Boston and New York. Adelson, 51, expects the two endeavors to gross \$150 million to \$175 million this fiscal year.

Adelson's newest success began in 1971 when, during his second wave of prosperity, he bought controlling interest in a small trade-magazine publishing company. With his interest in condominiums heating up, he journeyed to Anaheim, Calif., the following year for a real estate exposition. There he learned that the magazine in which he had read about the show also *owned* it.

"I saw that there was a synergism between the magazine and the show," he says, with advertisers buying exhibition space and readers an important part of the audience for a show. Adelson calculated that the real estate show brought in \$1 million "for three days' work." He knew he could do the same thing, and the following March, his firm's magazine, *Data Communications User*, launched the first Interface show, aimed at users of sophisticated systems, in Dallas.

A falling out with his colleagues in 1975 led Adelson to sell his interest in the magazine, retaining the exposition. He sold his condominium building, using proceeds from the sale to found Interface. Now he has 340 employes and a string of shows ranging from regional Computer Showcase Expos, for users of small computers, to Comdex (for Computer Dealers Expo), initiated in 1979 to meet needs of the growing number of independent sellers of small computers. The series now includes three domestic shows (fall, winter and spring) and Comdex/Europe. Comdex in Japan will be introduced next spring.

Just as he found that a conference complements a magazine, Adelson envisions a synergistic approach to GWV Travel, which he bought in 1981. He plans an airline charter service to go with it, hoping to have two airplanes operating by December.

Though he believes the race is more exciting than the finish, Adelson admits he has really begun to enjoy his success. "I'm a millionaire the third time and forever," he declares.

—Sharon Nelton

What Could Be Finer? A Snack in Carolina

Some people believe too many cooks spoil the broth. But in the "kitchen" at KLB Enterprises, three Ph.D.s in food science are creating snacks that challenge regional and national competitors.

Under the trade name Carolina Fine, KLB Enterprises of Greensboro, N.C., produces distinctively flavored "Cheddees" (corn curls), "Porkins" (pork skins), potato chips, cheese popcorn and 16 kinds of gourmet popcorn—from banana split to watermelon.

The groundwork for KLB Enterprises (named after three of its founders) was laid while Phil Kosak, Ray Leander and Craig Bair were working in product development at Frito-Lay in Dallas. All three felt lost in the corporate structure. "Even though we had good positions, it was frustrating developing new types of snacks knowing that probably only one in 1,000 would ever make it into the marketplace and survive," explains Bair, 33.

Kosak, 28, and Leander, 33, began planning a business of their own. When they learned that Bair was working independently toward the same goal with an investor friend, Kim Beisser of Des Moines, they joined forces.

They chose Greensboro as their production site because of its reasonable taxes and cost of living, because they believed there was an above-average

PHOTO: LON MURDOCK

market for snack foods in that part of North Carolina, and because excellent available transportation would facilitate distribution across state lines.

Beisser, who is president of KLB but lives in Iowa, contributed most of the $300,000 needed to buy equipment, package designs and raw materials and to modify the manufacturing plant. Bair, Leander and Kosak sold their homes in Dallas and moved their families to Greensboro in August, 1982.

It took six months to create the flavors for their snacks, have equipment designed so it could be run by only two or three people and find a broker who would initiate their distribution. But in January, 1983, they were manufacturing cheese curls and pork skins.

They thought an emphasis on quality—more real cheese in their products, for example—would win them shelf space. But they found the snack food industry is so competitive that many retailers resist carrying a new label.

"You have to be persistent," Bair says. "Some of our best customers are the ones we've gone back to for the fifth time."

To help, wives Cheer Kosak, Jean Ann Leander and Gail Bair have traveled to various stores to give away free samples. KLB also offers free samples at soccer tournaments, the Charlotte 600 auto race and the Greensboro Fourth of July street festival. "We've probably given away more product than we've sold," chuckles Leander.

But KLB's revenues indicate otherwise. The business has generated more than $200,000 a year in sales. And Carolina Fine recently took shelf space from a regional competitor in a supermarket chain in the Greensboro area.

KLB says its low overhead allows it to price its products 15-20 percent below those of competitors. Kosak, Bair and Leander are all vice presidents of the company, but they are also its only employes. "We sweep the floors," says Bair. "We're the secretary."

They are actively seeking distribution outside North Carolina—particularly in Florida, Georgia, South Carolina, Virginia and Maryland.

Says Leander: "If we get the product into their mouths and let them realize how good it is, we'll have customers who will keep coming back."

Bair chimes in: "We have a guy who drives from Virginia down here just to pick up several cases of our pork skins."

—Nancy Croft

Frustrated with corporate life, food scientists (left to right) Phil Kosak, Craig Bair and Ray Leander started their own snack manufacturing company.

PHOTO: JUDITH SLOAN

Knowing what people find adorable in novelties brought Rod White (left) and Peter Schneider $10 million in sales in their first nine months of operation.

Something Extra For Gifts and Cards

Rod White and Peter Schneider have converted cute into cash. Their company, in less than nine months of operation, has chalked up more than $10 million in sales on novelty items—greeting cards, stationery, calendars and Cabbage Patch figurines and mugs.

"Customers are almost certain to say 'Oh, how cute' when seeing these items in gift shops," says White, 40, president and chief executive officer of Extra Special, Inc., located in Fairfield, N.J.

White and Schneider, 31, executive vice president, got exclusive licensing rights to produce certain Cabbage Patch Kids items last fall, before the Cabbage Patch doll craze hit the country at Christmas. Created under the critical guidance of Cabbage Patch Kids originator Xavier Roberts, "each porcelain figure has been handcrafted and detailed to capture the sensitivity and warmth" of the Cabbage Patch dolls, White says. The pieces (retailing at $3 to $12) are manufactured in Korea and Taiwan and are designed to be collectibles, with the larger ones dated and signed by Roberts.

In January the company introduced its first of seven Sweet Street Candies products—greeting cards containing 2 to 3 ounces of jelly beans, jawbreakers, licorice bits, or gummi bears (tiny, chewy, bear-shaped gumdrops).

Other candy products (retailing at $1 to $3) include lip-shaped lollipops; fruit-shaped bubble gum; and gummi letters that spell out chewy messages like "I Miss You" and "Thank You."

White had long been interested in the candy business. After selling Knickerbocker Toy Company, the family business, he and Schneider, former Knickerbocker marketing director, began to put Extra Special together.

Both novices in the candy field, they spent four months last year visiting manufacturers, distributors and retailers across the country. Combining what they learned with their expertise in product development, they now design the shape, size, color and messages of their candy lines.

White adds: "We also test-taste candy from different suppliers to modify it to our needs."

White and Schneider expect to have more than 12,000 accounts by the end of the year and to add 8,000 more in 1985. J.C. Penney and Spencer Gifts are already among their customers.

Managing the company's growth is one of their major challenges. "It's easy to lose control in a growth situation like this," says Schneider. "We want to make sure we take care of our customer. We want to make sure the quality is right."

White recommends that a new company start with small sales projections rather than large ones. Even before it starts growing, he says, it should lay out long-term plans for expanding warehouse space and increasing the number of computer terminals and staff members.

Extra Special's extra secret for success: "Most larger companies in the gift field produce thousands of items, hoping that some percentage of them will be successful," notes Schneider. "Not us. We develop and produce a select number of product items we know will jump off the shelf at customers."

—Janet Raimondo

What To Do When A Headhunter Calls

By Mathew J. Beecher

The professional headhunter makes sure that the candidate fits the job and the job fits the candidate. That is how he gets repeat business.

A PHONE CALL from an executive recruiter, despite the pleased excitement it stirs up, should raise a flag of caution.

Make sure the "headhunter" is legitimate. Like any other profession, executive recruiting has its share of fast-talking, quick-dealing mountebanks. There are steps you can take that, although not foolproof, will usually ensure that you are talking to a professional.

Get as much information as you can about the position; do not be satisfied with salary and title alone. A recruiter rarely reveals the client company's name initially. But he can almost always pass on facts about its size, industry and location, unless that information would immediately identify the company.

Ask pointed questions to test the recruiter's knowledge. In other words, interview the interviewer. A true pro will admit to a lack of knowledge when he does not have the answer but will quickly volunteer to get it if you feel it is important.

If at this point you are interested in the position, ask the recruiter for a phone number. Call him and determine by the way you are treated whether you are dealing with a professional firm or a fly-by-nighter. A too-casual telephone operator or a high level of background noise might indicate an agency with dozens of employes working on commission. These "flesh peddlers" do not care if the job is right for you; they want to get a body into a job and collect their fee.

The legitimate professional depends on repeat business. It is critical to his success that you fit the job—and that the job fit you. Otherwise, his client may not turn to him again.

Another tactic is to ask for the recruiter's home phone number or to request that he call you at home in the evening. This helps you determine how interested he really is. A recruiter who tells you he is available only during office hours is probably not on the up-and-up. Professionals tend to spend a great deal of time at home on the phone, meeting the convenience of job candidates, or giving the prospect a chance to talk under more private, relaxed conditions than an office might offer.

Always ask the recruiter to send you a written job specification. Professional firms prepare such descriptions immediately upon accepting an assignment; flesh peddlers do not.

Ask the recruiter how he got your name. It shows the recruiter that you are cautious, a quality that good recruiters respect.

NEVER SEND the caller a copy of your resumé, even if you have an updated copy in your desk drawer. The humbugs tend to make numerous copies of a candidate's resumé and send them out unsolicited to many companies. Your chances with a company can be hurt if it gets the impression you are sending your resumé out willy-nilly.

A professional recruiter will take notes on you and then prepare a brief resumé tailored to the needs of his client. In his presentation, he will probably follow the brief resumé with a more

MATHEW J. BEECHER *is a principal with the executive search consulting firm of Richardson, Runden & Company, Inc., with offices in Upper Montclair, N.J., and Houston.*

detailed description of your background, bringing out points necessary to the particular position.

Suppose you have received the job description and are interested in it. And suppose you are satisfied so far that the recruiter is a legitimate professional. Now comes a face-to-face interview. This meeting gives you a chance to size up the recruiter, observe his office and satisfy yourself that you are working with a genuine executive search consultant.

Even if the meeting takes place on neutral ground, such as a restaurant, club or airport lounge, you will find clues to the recruiter's legitimacy in how he comports himself. Is he cautious with privileged information, such as dollar figures? Is he knowledgeable about the job and the client he represents? Is he objective, neither selling you on the job nor his client on you? (Remember: He should be after the right fit.)

This encounter should be a lengthy, in-depth discussion with much give-and-take between the two of you. If there continues to be mutual interest, the recruiter will probably identify his client. Sometimes, however, another meeting is needed. If such is the case, the client will surely be identified then.

Now you are no longer a potential candidate but a real one. When the recruiter has done his part properly, you will be armed with much information about the client, the position and—most important—the personalities you will soon meet.

ANY RECRUITER worth his calling will present at least three candidates to his client. So, in a sense, you are now entering the playoffs. As with an athletic playoff, you are more likely to win if you are the best prepared. And preparedness, for the executive candidate, is both technical and mental.

The technical side consists of getting the client company's annual report (a good recruiter will always provide this). It will mean obtaining Securities and Exchange Commission information, particularly 10K forms and proxy statements. Study them carefully so you can ask intelligent questions and make cogent observations.

If you have acquaintances in the company's industry, question them for the latest gossip about the firm. You can often get to know a company via its competitors.

Mental preparation means being ready to answer questions about your accomplishments in a factual but not boastful manner. And no matter how attractive the job is, you must be prepared to keep yourself under control. You will want to exhibit calm confidence, showing interest in the position but avoiding effusiveness.

In the interview, ask the client's executive as many questions as are posed to you. Discussion of the position's duties, the reporting relationships, the subordinates and the peers is necessary, but can be disposed of quickly.

It is vital, however, that you find out why the position in question is open. If the previous job holder was released, you need to know the reasons for the dismissal. What was expected of him and what were his shortcomings? What will be expected of the next job holder?

You should also find out how often the position has been filled. Too much turnover in a short period is an immediate red flag. It could indicate that the firm is offering the job to people who are not qualified or that the boss is difficult to work for.

During your interviews with the client, learn as much as you can about the company's management style and working atmosphere. The chemistry between you and the people you will be working with—that is, the match between you and the organization—is far more important than a fancy title and a good relocation package.

SALARY DISCUSSION should normally be brought up toward the end of the meeting, and then in as dispassionate a way as possible. A rule of thumb is an increase of 20 to 30 percent for a job change, unless it offers equity or is an unusual opportunity. For example, suppose you work for a very marketing-oriented company, and the people who rise to the top are always marketing-oriented. What if you are management-oriented, and you want to run your own show? You may have to seek another opportunity elsewhere, even though the salary increase may not be quite what you want. (I know one man who walked away from $1 million in stock options because he got a chance to run his own company.)

If the position, duties, opportunities and salary are attractive, never get involved in nit-picking over the perks of the job. That could abort the negotiations.

The whole process of executive recruitment can be exciting and stimulating, from the first unsolicited call to the ultimate job offer. But you should heed the words of the "Hill Street Blues" police sergeant: "Be careful out there!"

In the final analysis, the most important consideration is that both you and the company should want each other.

To order reprints of this article, see page 81.

Keeping the Trade Deficit In the Right Perspective

The figures are less worrisome when all kinds of trade are taken into account.

By Henry Eason

PHOTOS: T. MICHAEL KEZA

Competition from denim imports forced Lewis Jones (left) to close his Canton Textile Mills, Inc., in the north Georgia district of Rep. Ed Jenkins (right).

Retailers like Atlanta-based Richway stores would have to charge more if import restrictions forced them to cut back on foreign textile purchases.

SAID BENJAMIN Franklin to his young country: "No nation was ever ruined by trade." Two centuries later, as the United States faces the largest trade deficit in its history, many Americans are bitterly challenging the philosopher's maxim.

"Ruin" is the very word used by manufacturers of textiles, steel and autos and by producers of numerous other basic goods threatened by a gush of competitive imports. Panic has seized many industries. In unprecedented numbers, they are appealing to Congress and the President for protection.

The textile industry is one of the hardest hit. American merchants last year imported 25 percent more foreign textiles than in 1982. This year, they are expected to increase foreign orders another 40 percent. Domestic textile factories are shutting down by the dozens and workers losing jobs by the hundreds of thousands.

Says James Martin, president of the American Textile Manufacturers Institute: "At the present rate of imports growth, by 1991 our industry won't have a domestic apparel and apparel fabrics market. It will all belong to overseas producers."

Rep. Ed Jenkins' northern Georgia district resounds with the rapping of hammers boarding up textile plant doors. Jenkins, a Democrat who is chairman of the Congressional Textile Caucus, says the human cost of vanished jobs outweighs the dollars retailers and consumers save in buying cheaper goods.

"Many times," he says, "a textile job lost is lost forever. The majority of these workers are women and minorities with little formal education. They live in small towns where there aren't many high tech jobs to go to. Often, these people are second earners in a family and can't uproot to go looking for jobs."

Denim imports from Mexico and East Asia are blamed for the recent bankruptcy of Canton Textile Mills, Inc., in Jenkins' district; 1,100 workers lost their jobs. The problem, says Canton President Lewis Jones, is that American textile workers "are in direct competition with the lowest paid person in the world."

Many Canton workers will fare better than other workers in Jenkins' district and throughout the depressed Appalachian textile belt. Newly opened Interstate 575 puts them within an hour's drive of bustling Atlanta, with its expanding jobs market in services and high tech.

But saving textile jobs, say those in more vibrant industries, means losing other American jobs and adding as much as $400 annually to the cost of the textile purchases by a family of four.

Ira Bodker, apparel buyer for Richway, an Atlanta-based Southern retail chain, says it buys about half of its apparel from abroad. If it is forced to buy more on the domestic market, says Bodker, it will not be able to maintain adequate inventories of many children's and women's clothes, and soaring prices will hit middle and lower income customers the hardest.

THE TEXTILE, apparel and fiber industry employs about 2.3 million workers, making it one of the country's largest industrial sectors. It is dwarfed, however, by the 23 million-employe retail industry.

Last summer, the nation's merchants organized the Retail Industry Trade Action Coalition to fight the swell of protectionism fostered in Congress and the administration by the textile industry and other industries affected by imports.

"Quotas on imports or other restrictions," says RITAC Chairman William Andres, "force us to trade jobs in certain industries for jobs that could have

been created elsewhere. And new restrictions on imports invariably rebound to cut jobs here as other countries retaliate."

Curbs on textile imports would bring certain retaliation from East Asian countries that buy American wheat and feed grains. China, a textiles exporter, has already given notice that tighter restrictions on apparel imports will force a review of its food purchases from the United States.

Similarly, added protection against imported steel, though sought by the domestic steel industry, would add to the cost of producing goods that contain steel. It would reduce the international and domestic competitiveness of metal-using industries that carry 20 times more workers on their payrolls than do steelmaking firms.

IN RECENT years the steel industry has won some protection and is seeking yet more relief. If it comes, steel exporters in the European Community and East Asia will react. And steel producers in Latin America will lose income needed to repay loans made by American bankers.

Protectionist lobbies, sensitive to the effects of imports, coordinated their efforts and prevailed dramatically in July when the House passed, by a 259-95 vote, a bill that could tighten legal restrictions on imports. Passage is doubtful, though, in the Senate, because of legislative timing and concern over the bill's effect on U.S. exports.

Those seeking relief from imports are striking hard this political year and have won some concessions from the Reagan administration, which usually comes down on the side of free trade. Workers for protected industries could cast swing votes in crucial states, particularly in the Northeast and Midwest. The biggest battle is shaping up there between Reagan and Democratic presidential nominee Walter Mondale, who supports certain protectionist bills.

Fueling the campaign for relief is the American trade deficit, expected to nearly double this year to $130 billion. Many elected officials are finding it difficult to argue the case for free trade when so many of their constituents believe they are losing jobs because of foreign imports.

Globally, the outcome of the trade debate in the United States is of explosive importance. America is the world's biggest trader. First to recover from the worldwide recession, and on a buying binge, the United States has contributed to the revitalization of foreign economies by sucking up their exports. U.S. Trade Representative William Brock and others involved in the debate fear that if the brushfire protectionist fever sweeping the United States is allowed to burn out of control, the world could be plunged into a trade war the like of which has not been seen since the Great Depression.

How seriously is America damaged by its trade deficit? Is it the beginning of long-range economic decline for this country? When and how will the unfavorable trade balance end?

Beneath the rhetoric, facts and figures encourage optimism about the United States' economic future.

Though huge, the trade deficit is a temporary phenomenon and not as large as generally perceived. "We are not faced with a crisis," says Commerce Under Secretary Lionel Olmer.

Though the deficit "certainly isn't going to go away in the near term," says trade negotiator Brock, "economic recovery here has resulted in substantial improvement in the economic climate of the rest of the world, thereby encouraging our markets overseas. And our exports are up, with prospects of continued improvement."

Last year, business people were stunned to hear that the nation's trade deficit had reached $70 billion—but it was not really that high. The government issues reliable figures only on the *merchandise* trade balance, but the United States is the world's largest net exporter of *services* like insurance, banking, transportation and construction. The United States also had a surplus of $10 billion in military sales.

When these factors were calculated in, the actual international deficit was only $24 billion, and perhaps less, since services trade may be underreported.

Sen. John Danforth (R-Mo.), chairman of the trade subcommittee of the Senate Finance Committee, says the strong dollar is the leading cause of the deficit. It makes foreign goods more attractive to Americans and American goods less attractive to foreigners.

And, says Danforth, "there is no change in trade laws which will reduce the trade deficit so long as we run the federal budget deficits we have." The budget deficits have kept interest rates high, attracting foreign investors who have spurned their own currencies in favor of the dollar, raising its value.

THE SECOND major cause of the trade deficit is continued slow growth abroad, although that situation has been eased by American purchases of foreign goods and services. As other nations recover, they can be expected to buy more American exports. Choking off "cheap foreign imports" can mean, in effect, choking off those future American markets—and not just in developed nations recovering from recession, but in Third World nations as well.

Says Commerce's Olmer: "If a country that is rising up from the state of being utterly undeveloped to that of a developed nation installs some basic industry to provide work for its people or has raw materials, we want to sell goods there. So we have to assume an obligation to receive goods from that country. If you want to export more, you have to import more."

Protectionism thus may be a prescription for American economic stagnation, even as the economy evolves away from labor-intensive, old-line industries and production modes toward services, high tech manufacturing, innovative production and increasingly efficient agriculture.

High tech manufacturers like Boeing Commercial Airplane Company are doing a booming business abroad. Their secret? Says Boeing's governmental affairs director, Edward Coates: "Our enormous investment in research and development pro-

U.S. Trade Representative William Brock says protectionist fever could throw the world into an unbridled and disastrous trade war.

PHOTO: T. MICHAEL KEZA

duced advanced products, more fuel-efficient and quieter planes."

But the transition is painful for those employed in textiles, steel, footwear and other less competitive industries. Brock, Olmer and other administration figures argue that they cannot ignore the cost of the transition or the legitimate pleas for temporary assistance from industries that would be more competitive if they could retool—as have parts of the textile industry with computerized factories.

Meanwhile, the economy is inexorably sorting out the weak and shifting resources to the strong.

Says Ava Feiner, manager of the international policy department at the U.S. Chamber of Commerce: "Trade has reinforced the trends of economic change in America, not thwarted them. International competition has strengthened our strongest and weakened our weakest. In the aggregate, America has been a winner, reaping the benefits of new markets, consumer choice, technological challenge and a more efficient economy."

"America's strength," Feiner continues, "has begun to transmit recovery to Western Europe and some developing countries. However, protectionist pressures here loom as a threat to foreign recovery." We must, she says, "work to open trade and expand growth, not contain it."

THE REAGAN administration's policy has been to resist sweeping protectionist measures and fight unfair foreign trade practices through negotiation and arbitration, case by case, at the same time encouraging American exports. It has resisted the call, mostly from Democrats, for a Japanese-style, government-managed "industrial policy," on the ground that the marketplace best releases America's competitive strength.

Some of the rationale for an industrial policy rests on the belief that American manufacturing has squandered its competitive edge and requires government-spurred revitalization.

American manufacturing has in fact lost its comparative advantage in some industries to Japan and to newly industrializing nations in Asia and Latin America that have lower labor costs.

But, as a New York Stock Exchange study revealed in August, the United States remains No. 1 or No. 2 in 23 of the world's 40 leading industries. The United States has 35.8 percent of the world market in computers; 30.9 percent in aerospace; 29.8 percent in office equipment; 21.1 percent in agriculture machinery; and 21 percent in turbine engines.

The huge trade deficit is temporary, says Commerce Under Secretary Lionel Olmer, and lays groundwork for future exports.

At the lower end of the scale, American manufacturers retain only 4.7 percent of the world market in shoes and leather; 4.6 percent in copper; 4.0 percent in apparel and household textiles; 3 percent in knitting; and 3 percent in ferrous (iron-based) metals.

"The U.S. trade performance has been considerably better than is widely believed," the NYSE report concludes. Most economists agree, however, that the United States is underexporting relative to its gross national product; its trading strength awaits world recovery and more favorable trading conditions.

In 1983, the United States exported goods amounting to 5.9 percent of its gross national product. The same year West Germany's foreign sales were 25.9 percent of its GNP, Britain's were 20.1, France's 18.3 and Japan's 12.7.

Services, already 70 percent of GNP, could contribute mightily to export growth. Britain and France, with much smaller economies, each export almost as many services as the United States. "We have enormous potential," says Brock.

But Harry Freeman, senior vice president at American Express, warns fellow services exporters: "Our competitors internationally are getting smarter, while we are resting on our laurels." Freeman and other services exporters are backing Brock's efforts to break down foreign barriers that inhibit services growth. Italy, for example, bans foreign advertising services. France and Japan limit insurance operations. Argentina curbs foreign auditing.

The government itself, says Sen. Mack Mattingly (R-Ga.), too often stifles trading opportunities. "We cannot continue to pursue trade policy in this country on an ad hoc, disjointed and incoherent basis," he says. "International trade is an organic whole. Relief for Ohio steel will most certainly mean retaliation against Georgia poultry and soybeans." Mattingly is promoting legislation that would set up a new White House office to resolve disputes over trade policy among government agencies.

World trade is growing faster than most countries' domestic output. The whole global pie is expanding, and economies are becoming more intertwined.

Last year, world trade encompassed an estimated $2.175 trillion in goods and services, an amount roughly equal to the gross national products of Japan, France, Canada and Argentina.

Eugene Milosh, president of the American Association of Exporters and Importers, shares the concern of those who fear the impact of protectionism on this burgeoning commerce among nations. It could lead, he says, "to exactly what happened in the 1930s, when countries sought to gain advantage over trading partners without considering the effects on their trade. The results were disastrous."

Weary of payroll problems like government paper work and costly medical benefits? Some firms have taken this way out:

LEASING PEOPLE

ONE DAY LAST SPRING William Byrd discharged all 10 of his employes at proSealplus, his fabric-flameproofing business in Long Island City, N.Y. Then he put them all back on the job—but as employes of an outside leasing company.

In Clebourne, Tex., Brent Kidd, owner of Brazos Air Conditioning Service, not only transferred his 10 employes to a leasing firm's payroll but put himself on it, too.

John Lawless, sales manager for a meatpacking company in Oklahoma City, opened his own meat brokerage firm recently without hiring any employes at all. Instead he began with three employes—plus himself—leased from an independent company.

Each business owner had a different aim, but all of them chose employe leasing as the way to achieve it.

Employe leasing, also called "contract staffing," has become one of the fastest growing industries in the United States. It has grown from 4,000 workers a year ago to more than 60,000 today. One expert predicts the number may reach 10 million in the next 10 years.

James Borgelt, general manager of Omnistaff, the country's largest leasing firm, visits some of his employes at a Dallas contractor's construction site.

"Our company is five times bigger than a year ago, and we'll grow another five times in the next year," says James Borgelt, founder and general manager of Omnistaff, a leasing service in Dallas. Omnistaff's three divisions, with an annual payroll of $110 million, have more than 7,000 employes, working for 1,000 clients in 14 states. It is the largest of an estimated 200 companies now providing employe leasing.

When a business owner turns his employes over to a leasing firm, he no longer legally has any employes, or he becomes the sole employe of his own firm. Work patterns do not change, and the owner retains ultimate control over his staff—hiring, firing ("unleasing"), promotions and discipline. But now the leasing company assumes all administrative and fiduciary responsibilities—providing benefits, paying taxes and meeting the payroll. The owner sends the firm one check each pay period.

Leasing companies use their own legal, accounting and claims departments to streamline personnel administration. As large employers they can get much better group insurance rates than small businesses can. Are there disadvantages to employe leasing or hazards in it? Labor attorney Lawrence Z. Lorber, of Washington, who represents management clients, cautions that an owner should treat the leasing agency "almost as your foreman. You should use the agency to convey policy changes and work rule changes. Otherwise, the leased worker may turn into your common-law employe, and you will wind up having legal responsibilities you didn't bargain for."

Ronald C. Pilenzo, president of the American Society for Personnel Administration, has serious reservations about leasing. "We in personnel," he says, "have to face up to the fact that people are our greatest asset, that efficient management of human resources means a relationship that is conducive to employes' growth and development, and I'm not sure that leasing is the answer. In fact, it sounds like an abdication of all that."

Getting employes from outside contractors is not exactly new. Companies like Pinkerton's began providing private security guards to business in the 19th century. Entertainers and highly skilled technicians have usually been contract workers. But the big spur to growth of employe leasing came when Congress passed the Tax Equity and Fiscal Responsibility Act in 1982.

TEFRA gave formal recognition to employe leasing. It also spelled out rules governing leased-employe benefits and owner tax arrangements.

Many more small businesses now are considering employe leasing as a valid alternative to the bother and responsibility of preparing payrolls, making insurance payments and handling claims, submitting payroll taxes and filling out government forms.

As the Employe Leasing Company in Providence, R.I., says in block letters on its sales literature: "APPROVED BY CONGRESS, AUGUST 1982."

FOR SOME owners, employe leasing means getting better benefits for themselves and their workers. For others it means freedom to design cash-heavy retirement plans for themselves and top executives.

Such a retirement plan was what William Byrd had in mind when he contacted Omnistaff about taking over his em-

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PHOTO: PIERRE KOPP—WEST LIGHT

Kathie Boice (left), field agent for Contract Staffing of America, talks to Millie Wiley, one of several leased employes at a Los Angeles law office.

ployes at proSealplus in Long Island City.

"I'm 54 years old," Byrd explains. "I had no retirement plan. I needed to put dollars aside for my retirement, whenever that will be. Now I can put up to $200,000 a year, as much as I can afford, into my own plan tax-free. And the employes are better off than before."

Byrd has chosen a form of employe leasing defined by TEFRA. If the leasing agency contributes 7½ percent of payroll to its employe pension plan with immediate participation and vesting, the business owner is free to design his own pension plan and set aside up to 200 percent of his salary tax-free.

The clients for this tax-advantaged form of leasing are mainly doctors and other high-income professionals who work in offices with clerical and support staff who are paid much less.

The majority of businesses go into leasing for other reasons, however.

Brent Kidd, after a year as an air-conditioning contractor, was interested in getting better medical benefits. "Cost was our prime consideration," Kidd says. "I wanted decent health coverage for me and my family, and I was tired of paying an arm and a leg for it."

A leasing company provided him and his 10 workers with the same medical coverage plus vision and dental care, $2 prescriptions, life and disability insurance and a 5 percent contribution to a pension plan. The cost was almost exactly the same as what he had been paying for medical insurance alone.

Kidd pays 122 percent of payroll to the leasing company. He sends it a single check once a week, and it delivers individual paychecks to each employe, plus a summary payroll statement to Kidd. The leasing company takes care of withholding taxes and Social Security, W-2 forms, unemployment insurance and workers' compensation insurance. It also offers adoption assistance to employes and will pay tuition fees for any job-related education courses.

"Leasing companies make an employer look like a hero to his staff," says Carmen Arno, a Los Angeles consultant who formerly operated one of the largest such companies and has helped dozens of other leasing companies get started. "The employes get more benefits, and they are grateful to the employer who is responsible."

When John Lawless started his own meat brokerage company in Oklahoma City a little more than a year ago, he turned to employe leasing so he could concentrate on managing his business.

"We were a new company, starting from scratch," he says, "and I didn't know how we were going to arrange for benefits. This way we get the benefits, we save manpower, and they take care of all the paper work and taxes."

Lawless pays 124.7 percent of payroll to the leasing service. It calls his office on Tuesday to get the employe time report and delivers the checks by Federal Express on Thursday.

Although John Lawless did his own recruiting (and then let the leasing company do the "hiring"), many leasing companies—particularly in the medical and dental fields—advertise, screen, interview and select the best job applicants for the client's final choice.

This is more than a courtesy service. It is a legally prudent move if the business owner wants to fund a separate pension plan for himself and his partners.

William B. Morland, president of Contract Staffing of America in Tustin, Calif., explains why. CSA specializes in clients, mostly doctors, who have separate pension plans. Morland says the law requires that in such situations the leasing company follow all the normal practices in employer-employe relations, in addition to issuing paychecks.

THAT MEANS the leasing company must take responsibility for hiring, firing, setting wages, supervising, disciplining and making tax and regulatory reports. Otherwise, Morland says, the Internal Revenue Service may decide the client is the "real" employer and disallow his private pension plan because it does not extend to all employes. Such a ruling could cost the client dearly.

Morland says his leasing service, which is 10 years old and has more than 1,500 employes serving 375 clients in 11 metropolitan areas, is scrupulous in maintaining full employer responsibility.

"Our main headache is educating the public," Morland says. "We have to explain that we're not a tax shelter. We're not there to exclude the employe from

Look Before You Lease

If you think leasing employes may be appropriate for your business, here are some points to consider:

• What is the history and financial condition of the leasing company? Is it bonded? Ask for a list of the company's clients.

• Are the terms in price quotes comparable? For example, do the medical plans have the same dollar deductibles? Do the pension plans have equal contributions?

• Is the leasing company in any other business? Is it just an insurance agency using employe leasing as a vehicle for selling insurance?

• What are the contract terms? What is each party obligated to do? How can the contract be ended?

• How does the leasing company implement its insurance and pension coverage? Ask for names of insurers.

• Is the leasing company equipped to satisfy Internal Revenue Service requirements for a proper employer-employe relationship? Does it have a local representative to service your account?

benefits. We're there to provide benefits."

Apart from the legalities, how do employes like the lease arrangement? Most business owners say leasing has improved worker morale and reduced turnover.

Marilyn Smith, who had worked at Phoenix (Ariz.) Bone and Joint Surgeons for 23 years, says, "I was crushed when I heard they were going to lease us. I figured it was the end of the world and my job." But her fears were dispelled after a meeting with the leasing agent. "Now my doctors are much happier, we have benefits we didn't have before, and if there are disadvantages, I haven't found them," she says.

Mary Kanavos, a word processor operator for the Ring Consulting Group in Barrington, Ill., says, "I don't feel any different since we started leasing. I still go to my bosses the same as before."

BRENT KIDD says turnover at his air-conditioning business is down. "I'm in a real competitive situation in the labor market," he says. "But a lot of the competition don't have health and pension plans, so my company attracts the best people. Now the only people who leave here are those who are asked to leave. This has given us a more stable reputation as a contractor."

"Leasing is the kind of business where everybody wins," says Omnistaff's Borgelt. "The client gets rid of paper work. The employes get better benefits, and we get a profit out of it."

Omnistaff adds a markup of 4½ percent of payroll to actual benefit costs to arrive at a client's contract price. CSA's markup is 7 percent. Other companies' markups range up to 10 percent.

Leasing prices vary with the number of benefits and the level of wages. Since benefits are uniform within each group, the percentage cost of benefits may be higher for a low-wage payroll than for one with higher wages.

CSA's contract prices run from 133 percent to 142 percent of payroll—comparable to the Commerce Department's figure of 138 percent for the national average for pay plus benefits.

Consultant Arno thinks leasing's economic benefits are becoming apparent to small business owners and that because of this the potential for growth in leasing is "nearly unlimited."

"There are 4.4 million businesses in this country with fewer than 35 employes," he says. "If the leasing companies, who now are actively recruiting, get just 20 percent of those businesses in the next 10 years, there are going to be 10 million leased employes."

—Harry Bacas

Next Month in **Nation's Business**

Tax and Spending Reform

A preview of postelection campaigns that business coalitions will be conducting in Congress. The object: To bring federal spending under control and make the tax system do a better job for the economy.

An Incubator for Your "Baby"?

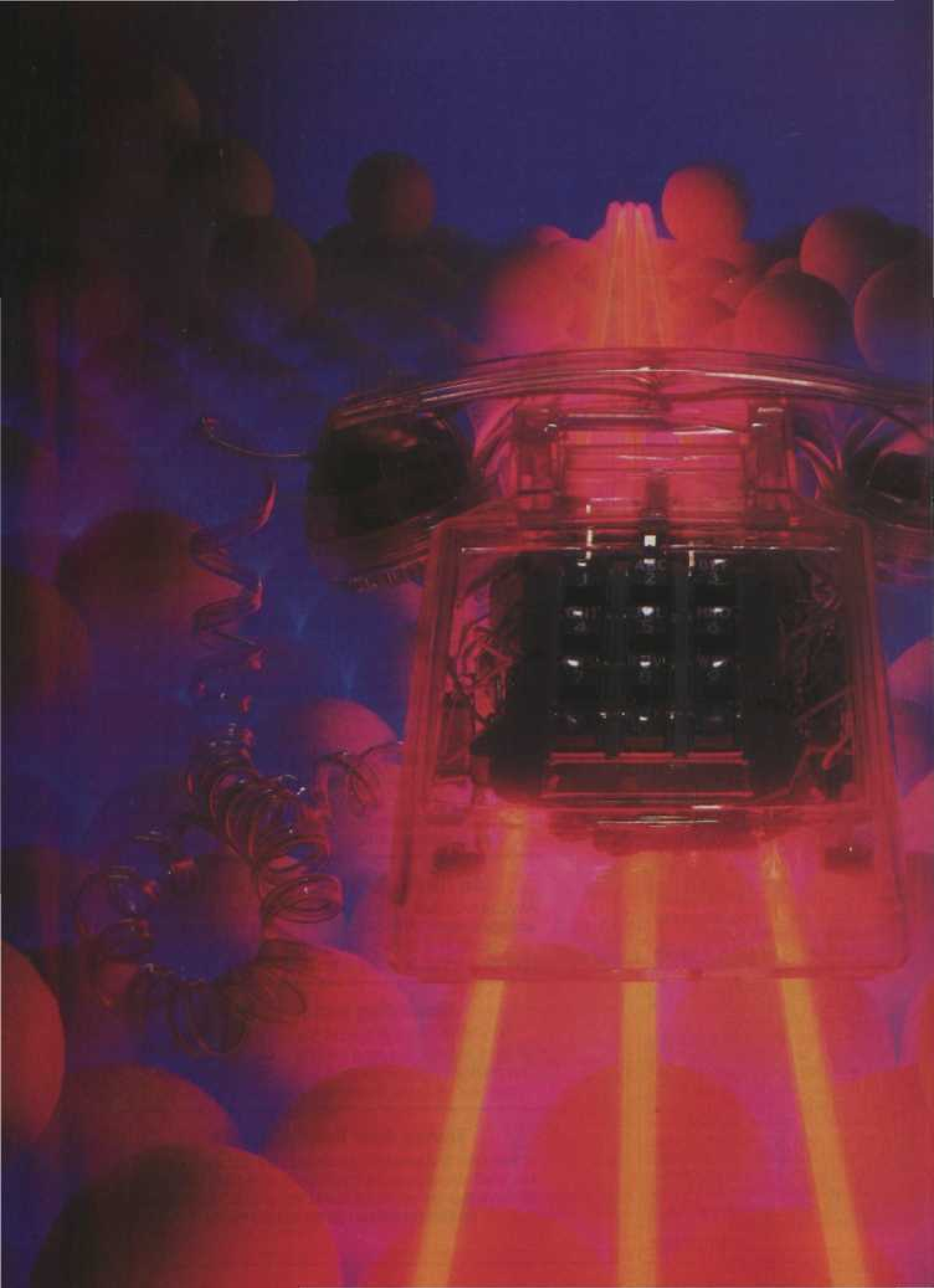
Anyone who has tried to launch a business knows that entrepreneurs can use a lot of expertise. "Incubators" —facilities that help small firms get started—are springing up all over the country. Could one help you?

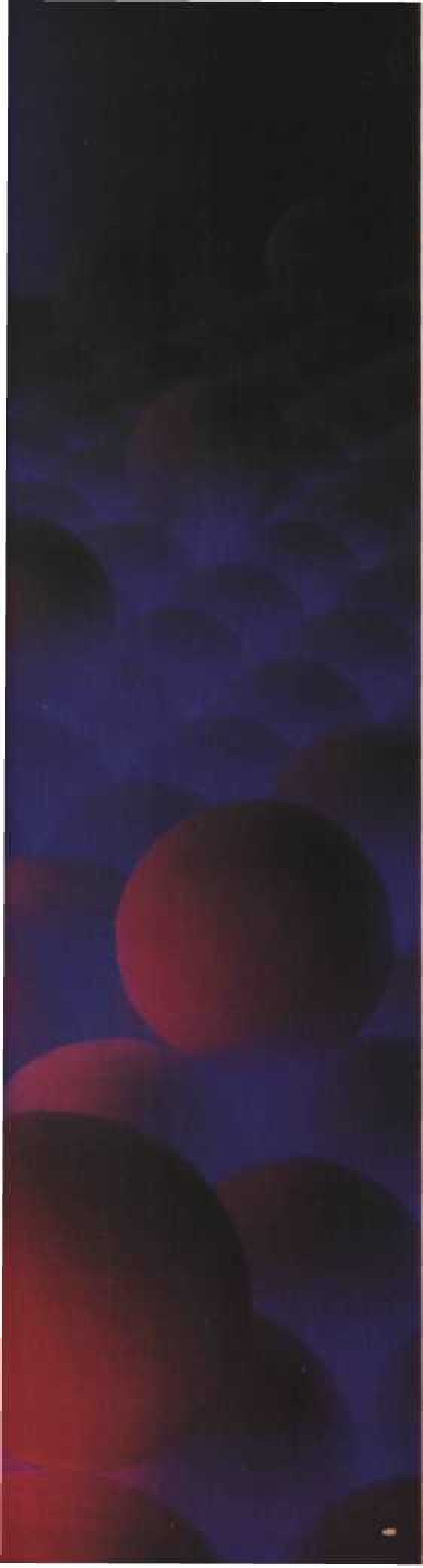
Marketing and High Tech

The innovators in Silicon Valley, that beehive of high tech activity, are long on brains but sometimes short on marketing knowledge. A skilled marketer is now president of Apple Computer and is making waves.

Saving Your Heirs a Bundle

If you own a successful business, the estate tax your heirs will pay someday could be a whopper. One way to leave the tax collector out in the cold is to employ a technique known as an estate freeze.





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Danger Ahead for Waistlines

By Phyllis M. Barrier

DO YOU SEEM to gain weight every year between the end of summer and New Year's Day? Do you have to battle every spring to get back into your summer wardrobe and your bathing suit?

If so, you have lots of company. In fact, studies have shown that after cool weather arrives, Americans with weight problems gain an average of almost 7½ pounds. Some people actually have winter clothes in larger sizes than their summer clothes, making it easier to ignore the added weight.

What makes us so susceptible to weight gain between October and January?

The short, obvious answer is "holiday eating." But while the holidays bring extra calories with them, there is much more to the phenomenon of cold-weather weight gain than too much turkey and mince pie.

Our lives change in many ways as the seasons change from summer to fall and then to winter. These changes combine to encourage us to put on extra weight.

Daylight saving time ends on the last Sunday in October, and long before then, the daylight hours have begun growing shorter. With less daylight, many evening activities that help burn up calories—sports, walking, biking, gardening and the like—are sharply curtailed or come to an end.

Such activities do more than burn up calories—they divert our attention from eating. When it is already dark by the time you leave work, you are more likely to go home, perhaps have a cocktail and a snack, eat dinner and then settle down in front of the television set. Watching television does not burn up many calories—and it signals to many people that it is time to start snacking.

When the weather turns cold, even those most dedicated to regular physical activity are likely to spend more time indoors than they would like. Many people who enjoy jogging, tennis and swimming outdoors in the summer do not have indoor facilities that allow them to continue such activities when the warm weather is over.

Cold weather not only curtails activity, it can also stimulate eating. We tend to eat heavier foods—roasts, gravies, starches, breads, rich desserts—in the winter, compared with a typical summer meal of a light salad, fresh vegetables, grilled meat and fruit.


PHOTO: TOM WOLFF

Cold weather brings with it holiday meals, heavier foods, less exercise—and, often, added pounds.

In fact, heavy foods can be comforting when the weather is cold and forbidding. Eating raises our body temperature and makes us feel warmer, and the more calories we consume, the snugger and warmer we may feel. Most of us find that sometimes it is just too hot to eat but, unfortunately perhaps, hardly anyone ever feels that it is too *cold* to eat. On a cold, wet day, the temptation to overeat can be hard to resist.

THE HOLIDAYS add insult to injury. Holiday meals can be a disaster for even the most disciplined. It is difficult to tell Aunt Mary—who made your favorite kind of pie, just for you—that you are dieting and cannot have even a little piece. Worse, there are—in addition to the meals on Thanksgiving and Christmas—many other holiday functions where food is supposed to be eaten with enthusiasm.

We certainly cannot change the weather or the length of the daylight hours or remove holidays from the calendar. So what can we realistically do *now* to make unnecessary that familiar New Year's resolution to lose weight?

First, find a satisfying way to be physically active even when it is cold and rainy. You might join a health club that has indoor tennis and swimming facilities. Or you might want to find an outlet for physical activity in your home, such as a rowing machine or an exercise bicycle, or even an exercise videotape. An inexpensive way to exercise at home is to jump rope or do calisthenics.

Think of ways to head off snacking in front of the TV set. Find household tasks that will keep your hands busy while you watch television.

If you are attracted to calorie-dense foods in winter, eat small amounts of them and supplement them with low-calorie winter vegetables like broccoli, cauliflower, brussels sprouts and cabbage. Follow the meal with a warm fruit dessert that is not terribly fattening—a baked apple, for instance.

To avoid eating more to feel warmer, be sure to dress warmly. (This is especially important now that many of us keep our homes relatively cool in the winter to save on energy bills.) Sweatsuits in particular are both warm and comfortable for wear around the house.

Weigh yourself once a week. If, despite precautions, you put on weight, watch your calorie intake for the next week. Do not wait for your waistband to feel tight.

At holiday meals, have one serving each of your favorite foods—but make them servings of normal size. No seconds. Have a small dessert, and only one, even if there are five kinds of sweets to choose from. Keep your alcohol intake to a minimum—not more than one cocktail or one glass of wine.

But the most important advice about holiday meals is to enjoy yourself and not feel guilty—just resume sensible eating patterns the next day. With a little forethought, you need not pay for holiday cheer with an expanded waistline.

PHYLLIS M. BARRIER, *a registered dietitian, is a public health professional and nutrition consultant in the Washington area.*

WHICH ONE OF THESE IS A REAL TRUCK?

FORD E350 CHEVY G30 ISUZU KS22

Think twice before you answer. Because many so-called trucks are really nothing more than vans disguised as trucks.

Take the Ford E350 and the Chevy G30 for example. Look underneath and you'll find modified, beefed-up van frames. Look underneath Isuzu's new KS22 and you'll find a solid, double-reinforced straight ladder frame with nine cross members, a real truck chassis.

Because the Isuzu KS22 is a real truck.

And even though it's priced with the Ford and Chevy, the Isuzu KS22 comes with large truck features and components usually found on trucks costing twice as much.

	FORD E350	CHEVY G30	ISUZU KS22
TURNING CIRCLE	53.9 FT	52.6 FT	41.3 FT
FRONT AXLE TYPE	INDEPENDENT SUSPENSION	INDEPENDENT SUSPENSION	SOLID I BEAM
FRONT G.A.W.R.	3,700 LB	3,900 LB	4,700 LB
REAR G.A.W.R.	7,300 LB	7,200 LB	7,950 LB
FRAME YIELD STRENGTH	36,000 PSI	UNIT BODY	53,664 PSI
FRAME RBM (LB. F/IN)	214,920	UNIT BODY	415,896

Also consider that the KS22 truck is built by a company that's manufactured over 1,000,000 heavy duty trucks during the last 45 years. Including 96,000 class III type trucks during last year alone. So you know the KS22 is a truck that won't come up short over the long haul.

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How They Kept On Trucking

Recession and deregulation were rough on carriers and truck makers. But they have emerged stronger and more efficient.

By Bob Gatty

THE SUN SENDS rays glimmering from the chrome bulldog on the huge Mack tractor's hood, rays that seem to lead beyond the present and then disappear. John B. Curcio, the man responsible, as president and chief executive officer, for taking Mack Trucks, Inc., into the future, smiles as he talks about that bulldog and what it means.

During World War I, he says, U.S. troops using Mack trucks in Europe nicknamed them "bulldogs" because of their ability to get through when other vehicles could not.

It is this bulldog toughness—along with good management and an eye on the future—that has been needed to lead the nation's trucking industry out of the grips of the recession and onto the road to recovery.

The task was doubly difficult because in addition to being forced to cope with the weak economy, the nation's motor carriers were tossed into a new world of competition much more open than in the past.

For some, it was too much. But others met the challenge, and they have emerged stronger after their ordeal.

"The carriers have had to become much more efficient," says Curcio, relaxing in Mack's corporate offices at Allentown, Pa. "And so have manufacturers."

The increased competition among carriers did not necessarily translate into increased business for manufacturers. The recession discouraged big carriers—new and old—from purchasing new equipment and forced them to "cannibalize" existing rigs, taking parts from one to get another running. As a result, the financial trouble experienced by the carriers spilled over and caused a downturn for the manufacturers too.

At Mack, Curcio says operating costs have been slashed over the last four years, enabling the firm to ride out the recession even though it lost money in all but one of those years. At the same time, the ratio of long-term debt to equity was reduced.

Mack is operating today with about 55 percent less inventory and 3,000 fewer employes than the last time the company produced 154 trucks a day, its current production level.

"What's essential," says Curcio, "is to emphasize operating efficiencies and cost reductions. This is a cyclical business. You've got to have the financial strength to ride through future downturns."

Leon Robertson, chairman and chief executive officer of American Carriers, Inc., agrees. "These are very exciting and challenging times," he says. "The real test of a company and its management comes during the periods of adversity. Now I see a bright future."

The Motor Carrier Act of 1980 substantially deregulated the trucking industry, resulting in an increase in the number of motor carriers from 17,083 in 1979 to 27,517 today. This new competition coupled with the recession had a profound impact, causing 360 carriers either to go bankrupt or to severely reduce their operations.

The American Trucking Associations reports that after-tax revenue of 161 representative companies was $258.46 million in 1979. In 1980, that profit turned into a loss of $151.05 million. At the depth of the recession in 1982, losses again mounted. But by last year, profits were back at $276.83 million. ATA's survey for the first quarter this year showed net income up 42 percent over the same 1983 period.

Manufacturers are experiencing a similar rebound. Sales of Class 8 diesels—trucks weighing more than 33,000 pounds including the load—were 81,699 in 1983, down from 173,524 in 1979. But estimates are that 1984 sales will be 80 percent above last year's. At Mack, net income for the second quarter this year was $20.1 million, compared with a $13.67 million loss for the same period in 1983.

Transportation Secretary Elizabeth H. Dole predicts that carriers "who adjust most effectively to a more competitive way of life—by trimming operating costs, offering new service and

PHOTO: LES MOORE—UNIPHOTO

developing new markets—will prosper most." But this period of adjustment has not been easy for many carriers.

Charles W. Clowdis, Jr., vice president-marketing at TNT Pilot Freight Carriers, Inc., of Winston-Salem, N.C., says his 42-year-old company is not unusual in having to "adjust many of its old ways of thinking and competing."

Clowdis, like many other trucking executives, is concerned about the rate discounting that is being used today to gain market share.

"Without a doubt," he says, "price has become one of the key words in any motor carrier executive's vocabulary and has become perhaps too large a part of the motor carrier's marketing schemes. Nevertheless, we are learning daily to compete in a free market environment and will find ourselves a much better corporation from this experience."

American Carriers' Robertson says there seems to be a cease-fire in industry rate wars in the truckload market. But new fronts are opening in the less-than-truckload (LTL) markets, he says.

"We've adopted a more defensive strategy," says Robertson. "We've taken discounts when necessary, but it's never been predatory—[merely] aimed at improving market share. We've relied principally on our expansion program for that."

The improving economy and resulting new markets have spurred carriers to increase demand for new equipment.

Greater competition for those markets requires carriers to seek out high tech equipment that can improve efficiency.

As Clowdis says, "Every dollar we can save in the efficient movement of freight drops heavily to our bottom line."

Lend Lease of Minneapolis provides its safety program to other trucking firms.

Certainly, manufacturers are benefiting from these developments. Moreover, the Surface Transportation Assistance Act of 1982, which raised road use taxes on truckers in addition to increasing the tax on motor fuel, also allowed larger trailers and double-trailer rigs to use major highways. Trailer manufacturers have been particular beneficiaries.

George Mally, president of Freuhauf Corporation's Freuhauf Division, predicts 1984 will be a record setter for the truck trailer manufacturer. Sales of twins—pairs of 28-foot trailers—are booming, says Mally, while the 48-foot-long, 102-inch-wide single trailer now allowed by law is rapidly replacing the old 45-foot, narrower rig as the industry standard.

This new flexibility in trailer sizes means the fleet manager has more decisions to make, notes Mally. In addition to deciding whose trailer is the best buy, "he's got to match equipment to the type of operation. Previously, there wasn't much option. Now, there's a whole new spectrum of what he can consider."

Mally says the longer, wider trailers are ideally suited for the truckload segment of the market, while the swing in the LTL market is to the twins. Industry officials say the twins are just as safe as single trailers and are more maneuverable.

Twins are especially useful for LTL carriers because they reduce load handling and thus lower costs. Four of the 28-foot double trailers can carry as large a load as five 45-foot single trailers. But perhaps more important is their flexibility. In the past, small shipments loaded on single 45-foot trailers along with other shipments had to be manually unloaded at a "breakbulk" terminal and then reloaded onto another trailer for the final leg of the journey. With the twins, much of this is eliminated, since one of the smaller trailers can simply be switched to another tractor at the hub terminal and sent on its way without unloading and reloading.

As many companies seek to slash inventory costs by reducing the amount of reserve stocks in warehouse, Robertson says, the new equipment permits carriers to offer them prompt and efficient service. American Carriers is taking delivery of 500 new twins this fall, adding to the 350 purchased last year. Next year, the firm will add more than 500 twin trailers.

"In the past," recalls Robertson, "there was just not quite the same concern. Now, customers are demanding a specific level of service and we are including it in our contracts."

As a result, carriers must become more sophisticated in keeping track of shipments and monitoring service. Once again, new technology is the key. Robertson says American Carriers' customers are able to access the company's computer system and trace their shipments themselves. Many trucking companies are now providing this service.

"We've developed a system so we can simulate what happens in terms of cost on different routes," notes Robertson. "It allows us to play 'what if' games. Those companies out in front in decision support systems are the ones that will make better decisions and be more profitable."

Meanwhile, a new computer program based on research at the University of Pennsylvania's Wharton School is helping truck fleet operators reduce costs by plotting the most effective, economical schedules for deliveries. Analysts at

PHOTO: DAVID VALDEZ


Sales of twins—pairs of 28-foot trailers—like these hauling oranges in California are booming. Twins make order handling faster and more flexible.

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PHOTO: MARY ANN GATTY

John B. Curcio, president of Mack Trucks, says his company has learned to operate more efficiently.

the university say the program considers thousands of variables for the typical job and can generally reduce a firm's trucking costs 10 to 20 percent.

Major companies using or exploring use of the program, known as ROVER, include Hershey Foods Corporation's Friendly restaurants, Exxon and Frito-Lay.

Cooper Motor Lines, Inc., of Greenville, S.C., uses a special computer program to help reduce the number of empty miles traveled by Cooper trucks. A-P-A Transport Corporation, of North Bergen, N.J., has introduced a computerized freight tracing and pricing system.

PERHAPS MORE REMARKABLE, however, is a new "Star Wars" approach to truck communication being developed by Geostar Corporation, of Princeton, N.J. Leaseway Transportation Corporation of Cleveland plans to be a Geostar customer when the system is ready in 1987.

Leaseway's vice president for strategic planning, Bob Delaney, explains that three satellites will be able to locate trucks precisely and allow drivers to communicate with one another and with headquarters. "The condition of equipment can be monitored," says Delaney. "If refrigeration equipment breaks down, we will know about it instantly. When a manufacturer asks 'Where's my stuff?' we will know. We could immediately divert it, if that's what he wants."

Delaney estimates that trucking deregulation provided about $30 billion in disinflation benefits to the economy between 1981 and 1983—about $25 billion as a result of goods' moving through the system more rapidly and $5 billion in direct cost reductions. "Historically, manufacturers and distributors have used inventory to buffer a very inefficient transportation system," says Delaney. "Today, that's not necessary."

What the industry really needs now if it wants to increase operating efficiencies is the "smart truck," contends John D. Rock, manager of General Motors Corporation's truck and coach operation.

Such a truck would have a computerized system to monitor the truck's mechanical performance, establish the most efficient gear ratios and shift automatically. It would provide accurate computerized data for supervisory personnel so they could determine the truck's—and driver's—efficiency, and have sound data to help establish future prices.

The "smart truck" would be manufactured differently. Today, the common industry practice is for carrier and private fleet operators to specify components, including engines, transmissions, fuel pumps—even visors—and put the specs out to bid to major manufacturers—GMC, Ford, Mack, Kenworth, International, Peterbilt, Freightliner and Volvo/White.

Rock does not believe the practice will ever be eliminated, but he says significant savings could result if manufacturers would establish a group of specs for specific truck uses and build vehicles accordingly. That view is gaining some support within the industry.

"When the smart truck really comes of age," predicts Rock, "the marketing of trucks will change. I'm not so naive as to think that you can make one set of specifications for every use. But if you break down the uses and create a set of specs for each, cost savings will result. I think that somewhere in 1988-89 we will be out there with something that will save this industry some money."

Peter Rupp, president of Freightliner Corporation, agrees that some form of standardization is necessary. "We've got to be custom-oriented to survive," he says. "But we have an obligation to our customers to convince them that the cost efficiency factor at times must beat the kind of variety that they have sought."

Increasing fuel efficiency is a key objective of major manufacturers, Rock says. The goal is to increase mileage by a third, to the 6 to 8 miles per gallon range. A whole variety of devices are being tried, in addition to more efficient engines and transmissions. These include radial tires, air deflectors, even gap fillers to close the space between tractor and trailer, where there is considerable air turbulence.

In addition, Rock says the average truck engine once went between 200,000 and 250,000 miles before a major overhaul. Today, many run from 350,000 to 400,000 miles before that overhaul, and Mack's Curcio says 600,000 or more can be achieved on Macks with proper maintenance.

Curcio is wary of moving ahead too rapidly with the introduction of electronic devices on trucks, which he points out must operate in an extremely harsh environment.

"I don't want to necessarily be the first," says Curcio. "I just want to have the first that will be the most durable and the most serviceable."

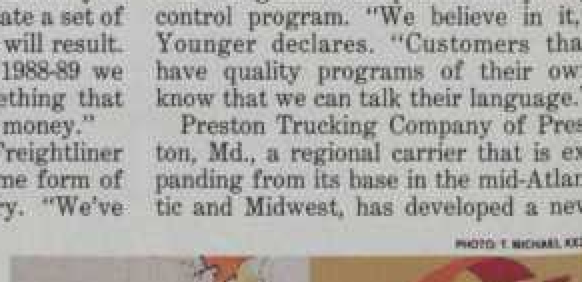
Kenneth Younger, president of Carolina Freight Corporation of Cherryville, N.C., tends to agree. "What we try to do when something new comes out is to test several of the devices—whatever they are—on our fleet," he says. "We don't go overboard with new technology until we've tried it."

MEANWHILE, new management styles are combining with new technology and equipment to help truckers emerge intact from recession and regulatory change.

"Our entire strategy," says Younger, "is that we're in the marketplace to meet our customer's needs, to stay up with his marketing plans and to service those needs at a profit." Carolina uses a consulting firm to help direct its quality control program. "We believe in it," Younger declares. "Customers that have quality programs of their own know that we can talk their language."

Preston Trucking Company of Preston, Md., a regional carrier that is expanding from its base in the mid-Atlantic and Midwest, has developed a new

PHOTO: T. MICHAEL KEZA



Carriers like TNT Pilot of Winston-Salem, N.C., learned to compete in a free market, says Charles Clowdis.

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strategy in dealing with employes that seems to be paying big dividends.

Once beset by union troubles, Preston is listed in a new book as one of the 100 best companies to work for in the country. The firm is credited with creating a positive atmosphere for employes by making them feel like an important part of the operation.

William B. Potter, Preston's president, calls employes "associates"—and it is more than just a label, he says. "Our most important asset is our people. The person doing the job knows more about it than anybody else. We believe that." Associates' ideas are encouraged and often implemented. An incentive program rewards outstanding performance, and associates buy stock in the company with their own money and matching funds from Preston.

The result: a happy—and productive—work force, Potter says, that improves the bottom line. Preston's 1983 sales were $272.3 million, up 22.5 percent from 1982. Operating income in 1983 increased 89.3 percent.

One company that barely made it through the recession was Transcon Lines of Los Angeles, which for years concentrated on truckload traffic, disdaining LTL accounts. Industry analysts say this lack of versatility caught up with Transcon in the 1970s; then, when new competition sprouted as a result of deregulation, it was almost too much.

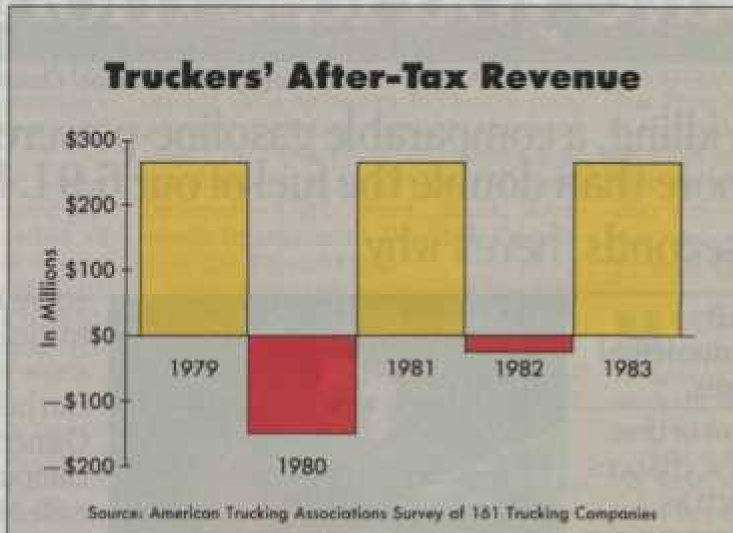
Company President Joe Hall, a former LTL expert from Roadway, realized that LTL freight was essential if the firm was to survive. So the company went after that market in a big way, even offering a money-back guarantee for late shipments. But banks had lost confidence after Transcon's four losing quarters in 1982 and the first in 1983. The firm was in a box. Without financing for essential new equipment, it could not go after new business.

The solution: an ESOP—an employe stock ownership plan. Eighty-eight percent of Transcon employes agreed to give up 12 percent of their wages and salaries in return for stock. After five years, employes will own 49 percent of the company. It worked—Hall says the company is healthy. "ESOP has meant the difference between surviving and going out of business," says Transcon's treasurer, Jim Fox.

Firms are seeking alliances with other carriers to strengthen their positions in the marketplace. Preston has formed a holding company to acquire appropriate companies in its targeted markets. Cooper Motor Lines last October became a subsidiary of ARA Services of Philadelphia with the aim of moving from regional to national status.

IU International has owned both Ryder Truck Lines and Pacific Intermountain Express for more than a decade, but until last summer the two operated independently. Then Ryder's strong position in the East was combined with P.I.E's strength in the West, and today they form a billion-dollar company serving the entire nation.

Leasing is becoming increasingly attractive to many fleet operators now that the U.S. Supreme Court has given the green light to single-source leasing—the practice of renting a truck and driver from the same company.



Lend Lease of Minneapolis, part of the transportation group of Household International, has developed a special program to improve its drivers' safety performance. It has established an incentive program giving drivers products, from tool kits to color TV sets, depending on their safety records.

THE PROGRAM REFLECTS a primary industry concern. Curcio points out that as long as a few drivers give the industry a bad reputation through unsafe and discourteous practices, it will be difficult to gain the public's trust.

Thus, the American Trucking Associations has joined with the Motor Vehicle Manufacturers Association and others in the industry in a coalition aimed at improving driver safety and trucking's public image.

Peter Griskivich, MVMA's vice president and director of its motor truck manufacturers division, says a voluntary truck driver training school accreditation program will be established.

A major problem for the industry has been increased taxes, at both the federal and state levels. ATA's new executive vice president and chief executive officer, Thomas J. Donohue, says Congress must be educated about the importance of the industry—and the impact of a heavier tax burden.

"The politicians have got to understand," he says. "The trucking companies don't pay taxes. They collect taxes. They are immediately passed on to their customers and the cost is borne by the consumer. We are not going to bear all the burdens, friend."

Donohue, who came to ATA from the U.S. Chamber of Commerce, where he was group vice president-development, pledges to use the industry's grassroots power to gain its objectives in Congress.

The industry succeeded this year in convincing Congress to modify road use taxes imposed by the Surface Transportation Assistance Act, in return for higher diesel fuel taxes. However, Donohue is concerned about future efforts to tax the industry at both the federal and state levels.

Other major worries include the Master Freight Agreement with the International Brotherhood of Teamsters—it expires in May. And Congress is considering truck safety legislation that would limit use of older sections of the interstate highways by larger trucks.

Still, the future looks bright.

Listen to W.D. Kirkpatrick, vice president-marketing at Smith's Transfer Corporation of Staunton, Va.: "I see growth ahead for our company. The present regulatory environment is conducive to entering new markets and withdrawing from those that might prove unprofitable for us."

Adds Ernest S. Cox, ATA's board chairman and president of Moss Trucking Company of Charlotte, N.C.: "There is an exciting renaissance taking place within the trucking industry. The 'sick industry' syndrome which marked the dismal and depressing days of the deregulation push are behind us. The self-doubt, the pessimism, the uncertainty that cast a pall over this trucking industry during the last three or four years are being replaced by a new, upbeat, vigorous commitment to excellence." ◻

To order reprints of this and following article, see page 81.

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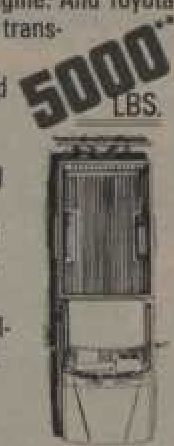

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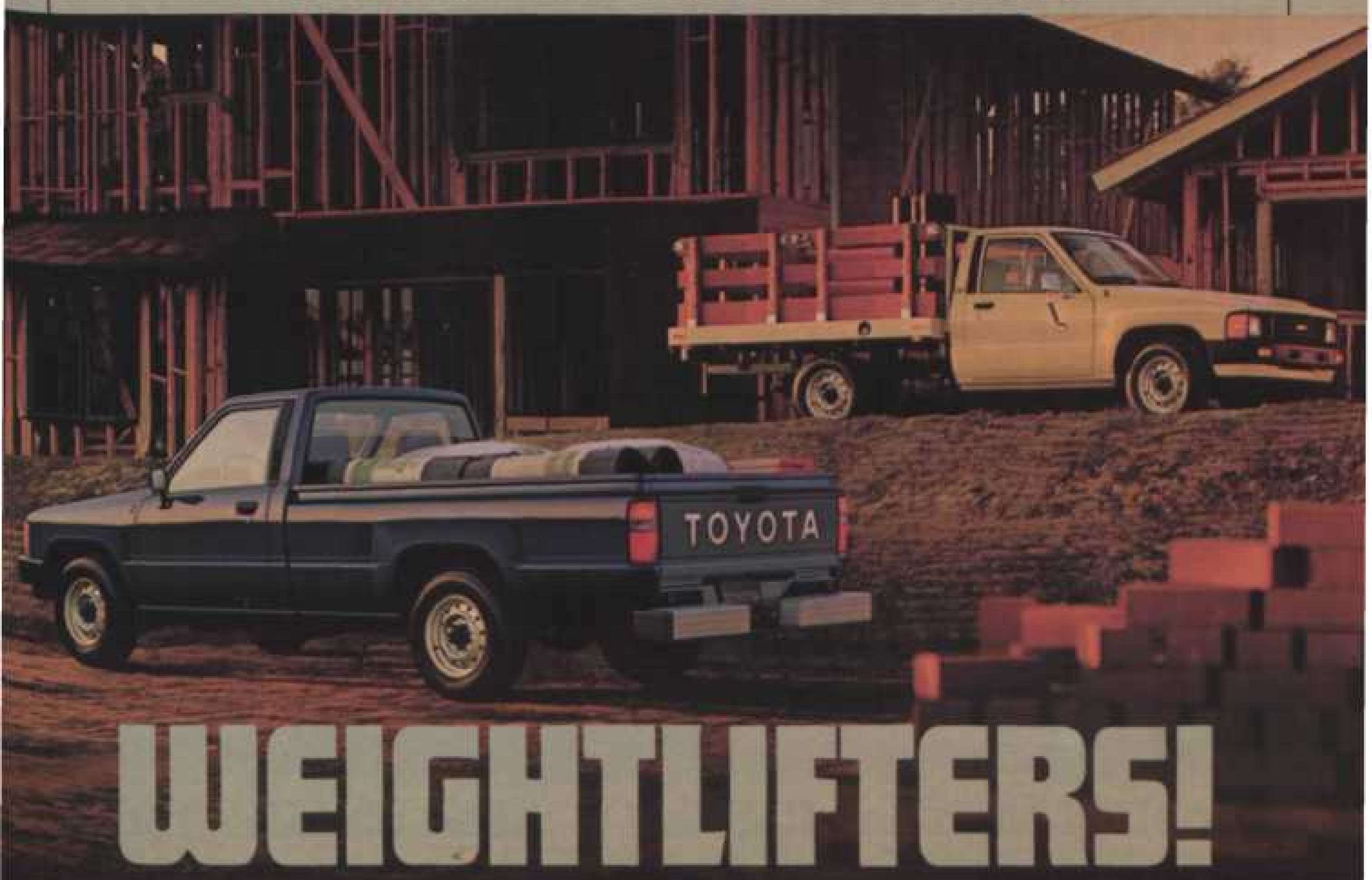

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The Big Market for Little Trucks

THE COMPACT PICKUP is one of the great success stories in today's American motor vehicle market, and a fierce struggle is under way for shares in that success.

Seven years ago, only 0.4 percent of pickup truck sales went to compacts—trucks with a wheelbase of 103 to 105 inches. Last year the figure was 39 percent.

Japanese manufacturers have a big chunk of the compact pickup market—Toyota is No. 1 in sales—but U.S. manufacturers are battling to displace them. As 1985 models hit the showrooms, manufacturers will be rolling out heavy promotions and incentives to customers.

In the increasingly hot compact pickup market, U.S. manufacturers have gained ground on the Japanese and industry leader Toyota, which had a record 1983.

Toyota held a 20.3 percent share of the U.S. market for small pickups in the first six months of this year. Ford Ranger was next with 19.5 percent; Nissan was close behind at 19.1. Others ranked as follows: Chevrolet S-10, 17.5; Mazda, 10.2; GMC S-15, 3.9; Dodge Ram 50, 3.8; Isuzu, 3.1; Mitsubishi, 1 percent; Dodge Rampage, 0.9 percent; Subaru Brat, 0.4 percent and Jeep Scrambler, 0.3 percent.

One reason Toyota has been doing so well, says a spokeman at Toyota Motor Sales USA in Torrance, Calif., is that the Japanese company pays close attention to the desires of specific groups of American customers.

For example, the spokesman says, Toyota is the only manufacturer to offer a four-wheel drive vehicle with a solid front axle—which provides extra stability not found in independent front suspensions.

The four-wheel drive market "is very hot," the spokesman says, because of the popularity of recreational off-the-road driving among campers and others, "and a solid front axle is what off-roaders look for."

Pricing helps Toyota hold on to its market share, the spokesman says. "Our base price is $5,998, and it hasn't changed in three years," he says. "The competitive forces keep the price down. It's very competitive out there."

He notes that Toyota is able to meet the price competition in the United States even though a 25 percent tariff is imposed on imported light trucks from Japan—and even though the domestic manufacturers are using state-of-the-art manufacturing techniques, just as in Japan.

A spokesman for Nissan Motor Corporation USA, says Nissan, too, tries to stay on top of the U.S. market and to provide the design and features specifically sought by small truck enthusiasts. For example, Nissan was losing sales because its truck did not have a double wall bed.

"We decided to add that so we can be competitive in the marketplace," the spokesman says.

NISSAN OFFERED an 8.8 percent financing deal to customers instead of giving a negotiated discount or a rebate. The spokesman says the incentive program was "highly successful. We were able to hit our sales objectives as a result."

In fact, he notes that after the deal was dropped, Nissan's small truck market share dropped from 19.1 percent in June to 18.3 percent in July.

The company produces about 56 percent of its vehicles sold in the United States at a plant in Smyrna, Tenn., that opened in June, 1983. The first month, the plant produced 130 trucks. Today the monthly average is 8,000.

For two years, in 1982 and 1983, U.S. manufacturers were able to cut into imports' share of the market. But that has not happened this year, when a total of about 1.1 million compact pickup trucks are expected to be sold, up 19 percent over last year's 924,000 units and more than twice the 503,000 delivered in 1981.

American-made trucks are expected to account for slightly more than half the 1984 total, but that includes Nissan's trucks produced in Tennessee. Without the Nissans, the domestic share would be about 46 percent, down from 50 percent in 1983.

When General Motors introduced the Chevrolet S-10 and the GMC S-15 late in 1981 and Ford its Ranger pickup in March, 1982, the compact truck market in the United States belonged to the Japanese—they had 88.2 percent of the market in 1981. The imports' share dropped swiftly to 50.1 percent after the American vehicles became available.

The Japanese companies' pricing and marketing strategies are credited by U.S. manufacturers as basic to their success. They point to tax practices in Japan and to the low value of the Japanese yen compared with the U.S. dollar as primary reasons for their ability to compete on price despite the 25 percent tariff.

Although the small pickup market is led by the Japanese, they are just beginning to make inroads in the larger commercial truck category.

Hino, which has a working relationship with Toyota in Japan, markets commercial light and medium duty vehicles in the United States. Isuzu Trucks of America has just begun marketing a new delivery vehicle in 18 states to compete with the Chevrolet G30 and the Ford E350.

"There is a niche for us in this market," says an Isuzu spokesman. "We are developing a dealer network and I'm being inundated with people who want to be involved. A lot of people are saying, 'I don't want to miss the next Honda.'" That popular Japanese import spawned many successful dealerships.

Two parts depots have been established by Isuzu to provide service support in the United States, says the spokesman.

Marketing is targeted for the East and West Coasts and the South, where he says imports sell best.

Meanwhile, as U.S. manufacturers fight back, competition can be expected to keep prices down. "When you get right down to it," says one industry expert, "in this market that's what it's really all about."

—Bob Gatty

Why you should spec a Mack truck you're not even thinking of buying.

Like many people, you've taken a hard-nosed look at the real cost of buying new trucks. And decided to lease. But if you think you're handing the problems of ownership to your lessor, your troubles could just be starting. Because you could be leasing a problem.

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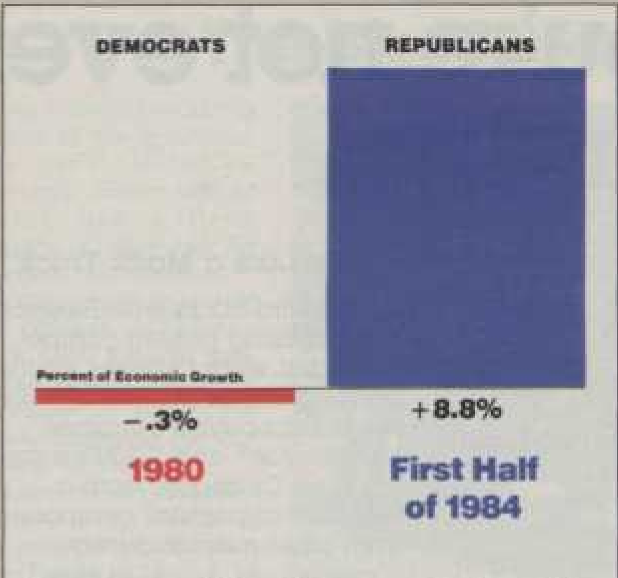

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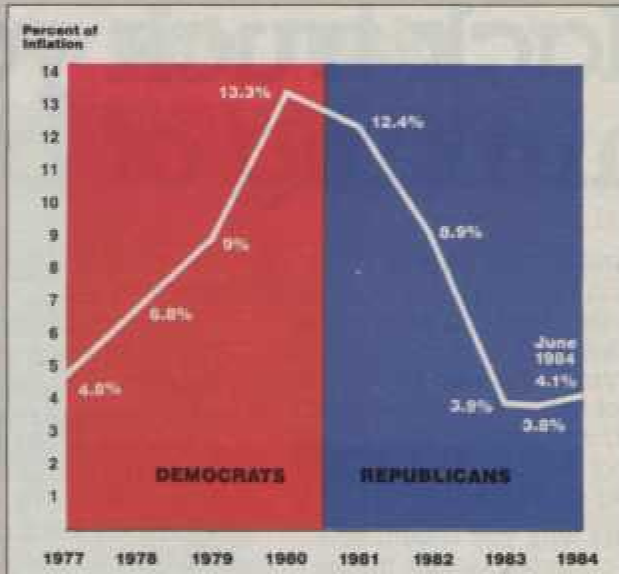

Decline of Inflation

BOOM *n.* a rapid, widespread expansion of economic activity

In 1979 economic growth stopped in America. Inflation was ravaging the economy, driving up interest rates and robbing citizens of their purchasing power. Record interest and tax rates were crippling America's families and businesses. A cloud of despair had settled over America.

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Is America better off today than it was four years ago? The answer is a resounding yes.

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Two Lines For Everyone

Now you can forget expensive, but dumb, two-line phones from the Phone Company at home or at the office. DAK has slashed the $129 price tag on this installation-free two-line, 10 memory, Tone/Pulse decorator styled telephone down to just $49.

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But, the line is busy. Your meeting starts. So, tonight it looks like you're going to eat dinner at home.

NOT JUST THE RICH

For those of us who already have two lines, we can send back our expensive, dumb phones. If you don't already have two lines, you might be surprised to know that having the extra line will cost you only about 30 cents a day.

And, installing this phone consists of simply plugging in a jack(s) just like on a single line phone. It's easy and it's fast.

We even have optional $1 cords to let you plug this phone into two standard, single line jacks or one 2 line jack.

If you don't already have jacks, you can put them in yourself. Or, you can have the phone company do it for you.

SO, WHAT DOES A $129 PHONE DO?

For $129 it does a lot. For DAK's $49 close-out price, it's a smash, even if you use it as a single line phone. (Yes, you can use only one line if you wish.)

Tone/Pulse Switchable. Just switch it to fit your area. Or, dial in pulse to access your Sprint or MCI number, then switch to tone for dialing.

10 Memory Dialing. You'll have 10 16 digit memory locations including last number redial to make your dialing easy.

You can store frequently dialed numbers, or your complicated Sprint or MCI codes. I store my Telephone Credit Card.

First, I dial a long distance number. Then, the phone automatically dials my 14 digit credit card number. No more mistakes and no more hassles. Wow!

And, look at this. The memory is protected for over a year by two built-in, replaceable calculator-type batteries.

A Real Hold Button. You can put one or both lines on hold. If you answer a call in the bedroom, and you need to look up something in the kitchen, just put the call on hold. Red LEDs show which line(s) are on hold.

Any phone, of any type, in your home can take over the call with this professional hold feature. It's up to you.

Mute Switch. Using the mute switch is like electronically putting your hand over the mouthpiece for privacy.

Full Conference Capability. While you are talking on one line, you might want to add a third person from the other line to your conversation.

You can put whichever line you are using on hold, and use the other line to call out. Then just push both the line 1 and line 2 buttons, and both calls will be joined. It's easy. It's fast. And, group conversations can be really productive for work and fun with friends and family.

Two Bells, Two On/Off Controls. There are actually two separate, real mechanical bells built into this phone (one for each line). The ring(s) will sound just like a Phone Company Phone ring.

Plus, LEDs show which phone line is ringing. There are even separate on/off switches for each bell. So, you can turn one phone on and one off. This is really neat. You can give one phone number to only your most important friends or family.

A, B, C, and D Buttons. These special buttons generate special tones for future services, such as bank transfers.

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Now you can have the luxury of two phone lines. If you have kids at home, you'll still be able to make or receive calls even when they are talking.

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So, you can buy this phone from another large company (we have a copy of their summer catalog in our factory outlet store) for $129.95, or you can buy it from us for just $49.

This handsome addition to any room may be desk or wall mounted. And, it's backed by a DAK 1 year limited warranty.

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If you're not 100% satisfied, simply return the phone to DAK within 30 days in its original box for a refund.

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Stocks That Rise From the Ashes

By William J. Grace, Jr.

FOR EVERY PIECE OF Horatio Alger rags-to-riches fiction, corporate America and the stock market have dozens of real-life counterparts.

Chrysler went from near extinction and $3 a share in 1982 to record earnings and $36 in 1983. And every industry has its Chrysler. Aerospace has Lockheed; transportation has Penn Central; and retailing has Toys 'R' Us (from 12 cents a share in bankruptcy not many years ago to over $50 today).

Investors are usually advised to buy stocks of companies that are commonly perceived to be doing well and can be expected to do better. Years of studying the market as a stockbroker, however, have led me to the conclusion that the best buys are often found among companies that are commonly perceived to be not doing so well.

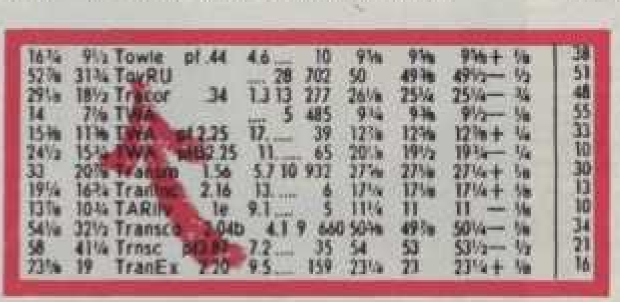
I call my theory the Phoenix Approach—a search for companies that have the capacity to rise up from their ashes. It is a strategy that fits into the broad category of what is known on Wall Street as contrarianism—the idea that a consensus on a future movement of the stock market is usually wrong, because by the time nearly everyone agrees on what will happen, most potential buyers or sellers have already acted.

Though most investors get more and more bullish about a stock as it goes up and more and more bearish as it drops, the smartest investors do just the opposite and buy when things look worst and sell when they look best.

Three investment categories come under the Phoenix Approach: stocks that are out of favor in the market as indicated by their low price-earnings ratios; stocks of distressed companies that are operating in the red; and stocks and other securities of companies that have gone into bankruptcy.

The first type, obviously, involves less risk than the others. A P-E ratio—a measure of a stock's popularity—simply expresses how much investors are willing to pay for $1 worth of a company's earnings. It is therefore a statement about the perceived quality of the company's present and future profit picture.

Herein lies a great Wall Street irony. High P-E stocks are expected to outperform the averages. But actually, as a group, they have underperformed. And study after study has shown that, as a group, stocks that are not expected to beat the averages (low P-E stocks) actually have done so over the years.



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14	7⅞	TWA		...	5	485	9¼	9⅜	9½	− ⅛	55
15⅝	11⅝	TWA pf	2.25	17.	...	39	12⅞	12⅝	12⅝	+ ¼	33
24½	15¼	TWA pfB	2.25	11.	...	65	20⅛	19½	19¾	− ¼	10
32	20⅞	Transam	1.56	5.7	10	932	27⅝	27⅜	27⅝	+ ⅛	30
19¼	16¾	TranInc	2.16	13.	...	6	17⅛	17⅛	17¼	+ ⅛	13
13⅞	10¼	TARIV	1e	9.1	...	5	11⅛	11	11	− ⅛	10
54⅛	32½	Transco	2.04b	4.1	9	660	50⅝	49⅞	50¼	− ⅝	34
58	41¼	Trnsc pf	[illegible]	7.2	...	35	54	53	53½	− ½	21
23⅞	19	TranEx	2.20	9.5	...	159	23⅛	23	23¼	+ ⅛	16

Why? For one thing, highly successful companies naturally attract more and more competition.

For another, P-E ratios are keyed to expectations of earnings, and future earnings are almost impossible to predict with accuracy. Historically, analysts' estimates of earnings for the upcoming 12 months have been off an average of 20 percent, and in some years that has been 40 percent.

Knowing this, one would think that there should be a relatively narrow P-E ratio range for all stocks. But since, in reality, there is an extremely wide range of P-E ratios, the Phoenix investor searches among the low P-E stocks, whose prices reflect expectations of little future growth—or of lost favor in a Wall Street where the herd instinct is strong.

THERE HAVE ALWAYS been overly depressed stocks, but today there may be more ripe pickings to choose from than ever before. Many of last year's popular high tech stocks, for example, are now available at discounts of 50 to 75 percent. They are the same companies that they were last year.

When it comes to distressed companies, the investor must realize that trouble is not necessarily an indication of a bargain. But there are plenty of success stories in this department. One of my favorite recovery stocks is GEICO. On the brink of bankruptcy and trading at $2 a share in the late 1970s, this revitalized property-casualty insurance company reached $65 a share early this year. Troubled companies usually are forced to make major changes in operating strategies. GEICO did.

The stock of a distressed company of the type I am discussing has no price-earnings ratio, of course, since it has no earnings. And the P-E ratio can be high indeed when the bottom line changes from red to barely black. But that change, normally accompanied by a rise in the stock's price, often signals a time to buy. It is a signal worth waiting for.

To expect to buy a stock at the very bottom (or sell at the very top) is to be unrealistic. And you reduce risk by waiting. Don't be afraid to pay a little more for the stock after confirming that the company is in fact turning around. The trick is to choose a company whose earnings will keep on rising.

What about bankrupt companies? I do not recommend bankruptcy investing for novices who are unable to weigh such measurements as debt structures and business potential. A mutual fund that specializes in distressed companies and includes some companies that are in Chapter XI is usually a safer route.

You may lose some money if you buy a blue chip stock at a bull market peak, but you won't lose your shirt. You can lose your whole wardrobe in bankruptcy investing.

But many bankrupt companies come back. Of the last 50 New York Stock Exchange-listed firms that filed for bankruptcy, only three have been liquidated. The others are in various stages of reorganization.

Whichever type of investment you make—buying stock with a low P-E ratio or taking your chances with either a distressed company or a bankrupt one—a basic philosophy should guide you.

You are a business person. Think of your investment in this light: You could be buying a business that has great potential and can be acquired for far less than it is really worth.

WILLIAM J. GRACE, JR., *a Washington stockbroker and a vice president of a major Wall Street firm, has written two books and is a financial commentator on both network and cable television. His latest work is* The Phoenix Approach *(Bantam Books, 1984).*

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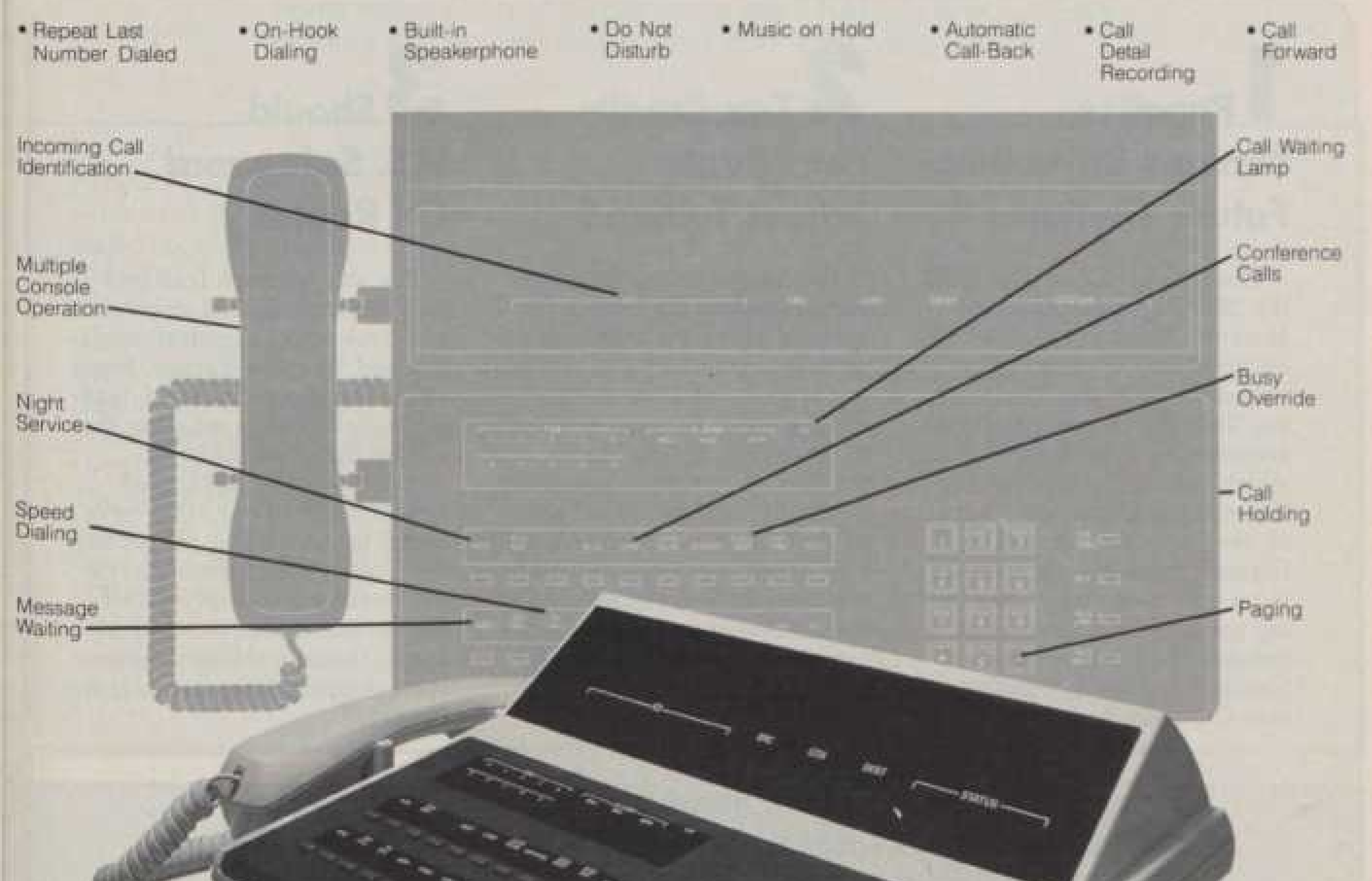

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Where I Stand

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1 Penalize Nations Boycotting Future Olympics?

The United States boycotted the 1980 Olympic Games in Moscow. This summer the Soviets and many of their allies boycotted the games in Los Angeles. The 1988 Summer Olympics are scheduled for South Korea, which neither the Soviets nor Chinese recognize, and a threat of new boycotts looms. The Olympic movement is considering a rule under which boycotting countries would risk suspension from future games. Should countries boycotting future Olympics be penalized?

2 Tax Credits For Private School Tuition?

The administration supports federal tuition tax credits for parents who send children to private elementary and secondary schools. Proponents say credits would increase freedom of choice for middle-income families and improve education generally through added competition. Foes say credits would hurt public schools and violate the constitutional separation of church and state because most private schools are church-affiliated. Should Congress authorize tuition tax credits?

3 Should U.S. Safeguard Oil Routes?

The war between Iran and Iraq has endangered shipments of petroleum, particularly to Japan and Western Europe. Some ships have been damaged, leading to debate over whether the United States should send forces to protect navigation rights. Some of our allies have urged that we do so; others say the United States should avoid intervening in a local conflict. Should the United States guarantee, through military means, open shipping lanes in the Middle East?

Respond to the poll with the attached postage-paid card. Letters to the editor on these issues are welcome.

Verdicts on Wage, Drinking Age, Flat Tax

More than 2,000 readers responded to the questions in the August issue's Where I Stand poll. Results of each monthly poll go to appropriate decision makers in the White House, Congress and the regulatory agencies.

	Yes	No	Undecided
1 Should there be a youth differential in the minimum wage?	86.5%	11.4%	2.1%
2 Should all states have a legal drinking age of 21?	77.3	19.3	3.4
3 Should the United States adopt a flat tax concept?	60.5	24.5	15.0

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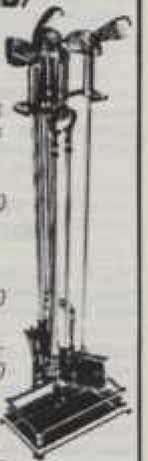

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MONEY-BACK GUARANTEE

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Keeping All The Lines Open

To run a multibillion-dollar corporation, 3M's Lewis Lehr believes, you must communicate.

By Del Marth

LEWIS W. LEHR slipped out of his necktie and took a cup of coffee out to his favorite lawn chair in the backyard. Across the lake the city of St. Paul, where he had spent his workday, lay out of sight and—for the moment—out of mind.

Inside the house the phone rang. It was for him, his wife said.

"Fine," he told the caller, "you want to have breakfast with me at 7:30 or meet me in my office at 8 o'clock?"

They came at 8, the caller and five fellow production workers. On the top floor of the the 14-floor headquarters of the 3M Company, Lehr was waiting for them in his office, with a pot of coffee. To put the men further at ease, he took them to the window, which covers the entire east wall, pointing out 3M's 435-acre industrial complex below and the Mississippi River beyond.

Before the sugar was passed around, everyone was on a first-name basis. The men got to the point—a festering problem at their plant.

Lehr listened hard. As 3M's chairman and chief executive officer, he was into his major responsibility to the corporation's 85,000 employes: communicating.

"If you can't speak openly about your problems," Lehr contends, "then your problems shouldn't be attended to. And if, as a supervisor or manager, you can't listen to the problems, then you shouldn't be a supervisor or manager."

The fact is that Lehr, 63, presents such an unaffected, easy-to-talk-to sociability that all echelons of employes in the giant manufacturing corporation feel free to stop him in the hall or in the parking lot for a chat.

"I have never," says 3M's Corporate Secretary Arlo Levi, "heard of an executive so open and responsive to employes."

Lehr even welcomes mistakes. "To a limit, of course," he adds. "But if you don't make mistakes, you aren't moving forward. If you don't stumble, you're not walking."

He admits to stumbling himself during his years at 3M, the only employer he has known. A young chemical engineer graduate from the University of Nebraska, Lehr signed on in 1947. The company was "much smaller then, doing about $80 million in sales, and it seemed like you knew everyone," Lehr says. "Communication was much easier in those days."

Nevertheless, the problems Lehr was to face in 1979 when he became CEO were incubating back in the 1950s and 1960s, when he was moving up through several of 3M's 40 divisions. Each division operated as a near autonomous business. Each did its own research, product development, marketing, sales.

The story still is told that Lehr, working in the medical products area, was told to discontinue a project when his supplies ran out. His superiors saw little promise in the project. He saw to it the supplies never ran out. "It's true," he grins.

That project—producing surgical drapes used to protect patients from bacteria—has since developed into a comprehensive health care products and services operation that makes a sizable contribution to 3M earnings.

TODAY, as CEO, he says it can be "frustrating, and difficult to manage, in an organization of this size, when you lose contact from the bottom up or the top down."

His first action as CEO was to heighten top management's awareness of activities within the corporation's different divisions and to tighten control of those divisions. He organized the divisions into four market sectors: industrial and consumer, graphic technologies, life sciences, and electronic and information technologies.

Instead of functioning in isolation, each division draws on resources of other divisions in its sector to improve product development and marketing.

Kept intact was 3M's unique policy of permitting employes engaged in research to work 15 percent of their time developing an idea of their choosing, in the expectation that a marketable product would emerge that might eventually be worthy of its own department. When that happens—as it often has—the product's creator could become the department's manager.

Lehr calls this "individual entrepreneurship." He doubts that large corporations can thrive without sustaining

an entrepreneurial culture. It is a formula that has served 3M well. More than 25 percent of the 82-year-old company's business comes from products developed entrepreneurially within the past five years.

Founded on one product, sandpaper, 3M today touches nearly everyone's life. Its 45,000 products include abrasives, videotapes, reflective sheeting, photographic and dental supplies, pharmaceuticals, agricultural chemicals, carbonless copying paper, Scotch-brand tape and a new success, Post-it note pads.

Under Lehr, 3M is placing increasing emphasis on consumer markets. Last July the company established an independent consumer products group that focuses on personal care, energy conservation and do-it-yourself items.

The corporation has plants or other operations in 42 states and 51 foreign countries.

TO CONTROL THIS far-flung enterprise, Lehr says, requires that he be visible and mobile. And so, besides the usual communications efforts embodied in employe publications and in-house award societies, he has inaugurated some innovative management techniques.

Among them is his Designated Executive Program. Sixteen executives continue to run their own operations at 3M but now have the additional responsibility of visiting designated regions in the United States each year.

"I tell these people," Lehr says, "you are the CEO, my representative in those states. And I ask them to visit the governor, the state's major newspaper editors, the mayors and university presidents and tell them about 3M's operations in their states.

"For example, our representative goes to the governor and says, 'I come here with no problems but . . .' " Lehr breaks up, laughing. "They do this, and the governor says, 'Then why are you here?' " Lehr chuckles, "Anyway, we tell the governor we don't have any problems but merely want to know what he sees for his state in the years ahead. And we do the same with editors and so on.

"That serves a couple of purposes. It brings us to the attention of people in that state. And when a problem arises for us in that area, the governor or editor may say, 'Let me check on that. I know somebody from that company. Let's see if there is another side to it.' "


Employes at all levels of 3M feel free to stop their open and accessible CEO for a chat.

Lehr uses the same technique, with 30 managers in four teams, for 3M's 50 foreign operations. And he himself vacates his St. Paul office half the year to visit 3M employes, appearing on panels at plants for give-and-take, question-and-answer meetings.

Some CEOs think spending hours at a corporation's lower levels is not productive. For Lehr, building trust and cooperation at this level is of maximum benefit. And he does it at every turn. Says Harry Hammerly, 3M vice president for finance:

"If someone does a job for Lew, he sends him a letter of thanks. Or he will

"If you don't make mistakes, you aren't moving forward. If you don't stumble, you're not walking."

call the person. For a chief executive, he does not have a particularly big ego."

That may be because Lehr sees little difference between managing a large corporation and a small business. He has brought 3M sales up from $5.4 billion in 1979 to $7 billion last year and—despite the strong dollar's weakening effect on a company that sells extensively abroad—net income from $638 million to $667 million. A key factor has been his philosophy of hiring good people and then creating an atmosphere of mutual faith and trust between them and management.

"I look for quality in employes," he says. "I look at what an employe's motives are. Are his or her motives to move forward, seeking long-term results, and such that they will not upset people around him or her? Or are they motives for the quick spurt, the quick fix, so the person can move on to something else? I look for the sustaining capabilities of a person."

This long-term approach carries over into Lehr's plans for 3M, which include research and development aboard National Aeronautics and Space Administration space shuttles. The first project in what could become a 10-year effort is to grow organic crystals in space on a shuttle flight next month. And last year Lehr announced an agreement with the People's Republic of China for 3M to build a manufacturing plant in Shanghai to make tapes, resins and connectors for that nation's communications and power services.

"If the Western World thinks Japan has been a problem, wait until those 1.2 billion Chinese start producing TV sets and radios," says Lehr.

He predicts the U.S. government, and business, will form "a close relationship with that part of the Pacific basin, a potentially tremendous market."

But then, Lehr foresees good economic times for 3M and American business for at least 10, if not 20, years:

"I believe, in the Western World at least, there is a conservative swing. The United Kingdom, West Germany, Italy, Canada, even France, are showing a less liberal attitude. In addition, those countries have infrastructures that need rebuilding, and those projects will sustain their economies for a while.

"Even the oil shocks are over, I think, for at least five years. There's a 50-50 chance now that oil will go below $25 a barrel."

It is a scenario that Lehr, as CEO for one of the world's largest corporations, strives to stay abreast of and use to his firm's economic advantage. But heavy as that responsibility might be, it does not bar him from lighter pursuits.

When he goes home at night, he sometimes reads papers carried in a briefcase. But sometimes his reading is a novel. At the moment the novel is Norman Mailer's *Ancient Evenings*. "About Egypt, the pharaohs. It's wild."

For the affable Lehr, the book, like his sporadic golf game, is not an intentional diversion, merely a pleasure. "And," he says, "when I get home and get out on the lakeside, I can forget about the whole thing down here."

What You Can Do About Washington Issues That Affect Your Business

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Issue	Potential Impact On Business	Contact And Business Message
SUPERFUND	The recently passed House version of the Superfund reauthorization carries a $10.2 billion price tag. The Senate Environment Committee hopes to complete markup before the election recess. The administration expects to submit a reauthorization plan next January.	Members of the Senate: The current law does not expire until October, 1985. Key studies are due out late this year; wait until new information is available before you pass a new authorization.
BALANCED-BUDGET AMENDMENT	In the House, members are attempting to file a discharge petition to order the Judiciary Committee to send a balanced-budget and tax limitation constitutional amendment to the floor. Floor action is unlikely in the Senate this year.	Members of the House and Senate: Vote for passage of a balanced-budget and tax limitation amendment. Failure to do so could result in the calling of a constitutional convention, which has been requested by 32 of the necessary 34 states.
EXPORT ADMINISTRATION ACT	House and Senate conferees continue to try to find areas of agreement on the most important trade bill of the year. Our foreign trading reputation is at stake as overseas competitors increase their share of the market at our expense.	Members of the House and Senate: Urge conferees to adopt the contract sanctity provisions contained in the Senate bill and delete Title III in the House bill restricting trade and investment in South Africa.
IMMIGRATION	A divided conference committee hopes to reach agreement this year on sweeping legislation designed to remodel our nation's immigration laws. Business could be forced to bear an unfair share of the verification workload.	Members of the House and Senate: Oppose conference report language based on the flawed House and Senate bills. The employer sanction provisions are unfair to business and unacceptable.
APPROPRIATIONS	Taxpayer dollars and borrowed money must equal the total amount of the 13 separate appropriation bills. Bills not adopted before Congress adjourns escape individual scrutiny and are lumped into an omnibus continuing resolution.	Members of the House and Senate: Maintain Budget Act credibility by passing separate appropriation bills. Voters want bills to be lean, not bloated with election promises.
TAX REFORM	Hearings under way this fall could result in major tax reform next spring. Rates to be paid by businesses vary within the many tax plans being discussed. The Reagan administration plans to unveil its tax plan next year.	Members of the House and Senate: Study any proposed tax changes carefully. Do not pass a tax increase package under the guise of a tax reform package. Current indexing provisions must be retained.
DOMESTIC CONTENT	A domestic content bill, similar to laws that have failed in other nations, may receive Senate floor time this fall. If measure becomes law, the loss of overseas sales contracts would increase domestic unemployment and intensify our balance of payments problem.	Members of the Senate: Enactment of any domestic content legislation would set a bad precedent. Foreign trade retaliation could be expected immediately. Protectionist legislation never has and never will save domestic jobs.

The Mondale Tax Plan: Economy on the Fritz ?

The deficit reduction plan that Democratic presidential candidate Walter Mondale offers voters is a puzzling document from both a political and an economic standpoint.

It greatly reinforces what has become the dominant theme of the Mondale campaign—a pledge to raise taxes. This is a highly unusual strategy for the Democratic candidate. After all, he is challenging an incumbent who has gained strong popular support as the architect of the most extensive tax reductions in the nation's history.

Although Mondale tries to convey the impression that the heavier tax burden would fall only on the wealthy, his plan would extend to families with incomes of $25,000—hardly your privileged few these days.

The plan offers few specifics. It projects savings in nondefense areas through "more prudent management of programs and resources." Mondale also promises a "prudent, selective" addition of $22 billion to domestic spending to "enhance competitiveness and fairness in American life."

And, ironically, Mondale's plan is premised on what he terms "relatively optimistic" assumptions on growth, inflation and employment—assumptions that are possible only because of the overwhelming success of President Reagan's own economic program.

There are sound, sensible and realistic deficit reduction plans that should be considered seriously.

Mondale's is not in that league.

An Unintended Guide To Spending Discipline

One indication of why federal spending has reached its present level can be found in a book that advises individuals and organizations on how to obtain federal money to "finance almost any . . . endeavor."

Titled, appropriately, *Getting Yours*, the book was written by Matthew Lesko, founder of a Washington research firm, and published by Penguin Books. The original 1982 version has just been reissued in expanded form.

Lesko writes in the introduction: "There are currently some 1,000 programs that annually give over $230 billion in loans and loan guarantees and $500 billion in grants and direct payments. Individuals are eligible for 519 programs, nonprofit organizations for 496 programs, and state and local governments for 796 programs. In 1983 alone, the government gave out over $732 billion in these programs. This is an average of $4,880 for every U.S. adult."

It would be wrong, of course, to assume that all or even most of these activities represent wasteful or unnecessary spending. Many serve valuable purposes. It would be equally wrong, however, to assume that many could not be eliminated without serious harm to the national welfare, or that many others could not be significantly curtailed.

Lesko tells his readers that many people have already received federal funds for a wide variety of purposes and that "if you are not one of them, this book is for you."

Federal officials interested in spending discipline also should feel that this book is for them.

A Vote Is a Terrible Thing To Lose

More organizations are spending more time than ever on voter registration drives in this year's elections. An article beginning on page 33 gives details of this unprecedented activity.

But, in the final analysis, registration and voting are individual choices for each citizen. Too many people decide, for one reason or another, against voting or even qualifying to vote.

That is true of a surprising percentage of business people. The Census Bureau reports that more than 25 percent of managers and administrators were not registered to vote in 1982 and that another 15 percent, although registered, did not cast a ballot.

If individuals with such an enormous stake in the preservation of the American political system do not vote, they waive their right to have their views represented in public policy decisions.

Deadlines for registration are fast approaching in many states. Business people should make sure that the 1984 elections see an improvement in the level of their registration and voting participation.

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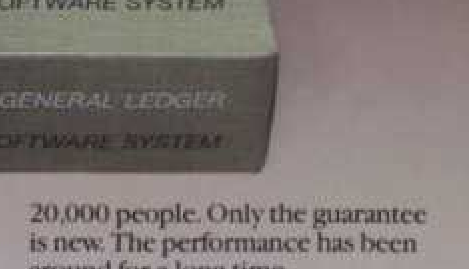

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